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| Austria ... Sch. 22 | Indonesia .. Rp 3100 | Philippines . Pes. 20 |
| Bahrain .. Din.0.650 | Israel .... NS 3.50 | Portugal .. Esc 100 |
| Belgium .. BFr 48 | Italy ...... L 1600 | S. Arabia . Rls 6.00 |
| Canada ... C$1.00 | Japan ..... Y600 | Singapore . S$ 4.10 |
| Cyprus .. C£0.75 | Jordan ... Fils 500 | Spain .... Pta 125 |
| Denmark . DKr 9.00 | Kuwait ... Fils 500 | Sri Lanka .. Rup 30 |
| Egypt .... E£2.25 | Lebanon . £L 50.00 | Sweden .. SKr 8.00 |
| Finland .. Fmk 7.00 | Luxembourg . LFr 48 | Switzerland SFr 2.20 |
| France .. FFr 6.50 | Malaysia .. Rin 4.25 | Taiwan ... NT $85 |
| Germany .. DM 2.20 | Mexico .. Pes. 300 | Tunisia .. Din 0.800 |
| Greece .... Dr 100 | Morocco .. Dh 6.00 | Turkey .... L 500 |
| Hong Kong . HK$ 12 | Netherlands . Fl 3.00 | U.A.E. ... Dh 6.50 |
| India ... Rup. 15 | Norway .. NKr. 7.00 | U.S.A. .... $1.00 |

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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,238 | Wednesday May 20 1987 | D 8523 A


**Economic ghost that is haunting America, Page 28**

World news | Business summary

## Fiji coup ends with peaceful solution

Fiji's five-day military dictatorship ended in peaceful compromise with the Governor-General in full control of the South Pacific islands and agreeing to call a fresh general election.

Deposed Prime Minister Timoci Bavadra and his 27 parliamentary colleagues were released as the coup leaders ceded control to Governor-General Ratu Sir Penaia Ganilau.

In addition to the new elections, the Governor-General was to appoint an interim council of advisers, and an urgent inquiry into Fiji's constitution was to be held. Page 28

### Afghan exodus

Five million Afghans – one third of the country's population – have fled from Afghanistan following the Soviet Union's intervention in 1979, Pakistan's Foreign Secretary told a meeting in Geneva. Meanwhile Afghan guerrillas shot down three helicopters near Kabul.

### Irangate documents

Hundreds of Swiss bank documents recording transactions by key participants in the Iran-Contra scandal will soon be released to US investigators, Swiss officials in Geneva said.

### Elections inquiry

The Supreme Court in Manila said it would investigate the conduct of last week's Philippine elections, said by defeated opposition candidates to be riddled with fraud and cheating. Aquino's lot, Page 4

### Peru general strike

Peru faced a general strike just hours after a four-day police strike was settled. Page 3

### Extremist threat

East bloc spies and extremists of left and right pose an increasing threat to West Germany, Interior Minister Friedrich Zimmerman said in Bonn.

### EC farms protest

About 15,000 farmers marched through the streets of Brussels in protest at plans for cuts in European Community agriculture subsidies. Page 2

### Amalgam warning

Swedish dental experts warned pregnant women not to have their teeth filled with amalgam beacause they run the risk of foetal damage.

### AIDS crackdown

Bavaria's state government introduced a radical package of anti-AIDS measures, including compulsory tests for specified groups of foreigners.

### Bribery trial sought

Italian legal investigators in Messina recommended that a former Sicilian magistrate should stand trial on charges of taking a L100m ($77,000) bribe to arrange the aquittal of three alleged Mafia bosses charged with murder.

### Barbie arrest

A gunman disguised as a doctor was seized by French police after he slipped into St Joseph prison, Lyon, in an attempt to assassinate former Gestapo officer Klaus Barbie.

### Chinese forest fires

Firefighters lost their battle to keep apart two massive forest fires in north-east China where 191 people have been killed and 50,000 left homeless since the fires began two weeks ago.

### Botha's offer

President P. W. Botha offered South Africans an unchanged mixture of repression and cautious socio-economic reform when he opened the new session of the tricameral parliament. Page 4

## Rotberg moves to Merrill Lynch

MR EUGENE Rotberg, the World Bank Treasurer and one of the most influential and respected figures in the international capital markets, is leaving the Bank for a top position at Merrill Lynch, the US investment bank, after policy disagreements with Mr Barber Conable, the World Bank's president. Men and Matters, Page 26

JAPANESE consortium has beaten German and British rivals for a contract to build a $600m polyester plant in the Soviet Union, according to the Soviet newsagency Tass. Page 28

KARSTADT, West German store group, registered a sharp rise in profits last year and intends to raise its dividend from DM 7 a share to DM 8. Page 29

GROUP of Arab investors is seeking buyers for its 22 per cent stake in Smith Barney, holding company for the medium-sized Wall Street securities firm, Smith Barney, Harris & Upham, which has a strong base in retail brokerage. The group is believed to be asking $160m. Page 29

TOKYO: Continued weakness on Wall Street kept institutional investors shy of the market and prices drifted lower throughout the day. The Nikkei average fell 221.10 to 24,077.88. Page 59

WALL STREET: The Dow Jones industrial average closed down 37.38 at 2,221.28. Page 50

LONDON: Optimism over the growth in retail sales and the progress of the Conservative Party's election campaign swept equity prices to further records in solid trade. The FT-SE 100 index closed up 22.2 at 2,214.3 and the FT Ordinary rose 22.8 to 1,719.0, both all-time highs. Details, Page 46

GOLD fell $4.00 to $470.00 on the London bullion market. It also fell in Zurich to $470.25 ($475.25). Page 38

DOLLAR closed in New York at DM 1.7705; SFr 1.4525; FFr 5.9250; and Y139.52. It remained unchanged in London at DM 1.7780; but fell to SFr 1.4580 (SFr 1.46); and rose to Y140.00–Y139.95); and to FFr 5.9475 (FFr 5.9425). On Bank of England figures the dollar's exchange rate index rose from 99.9 to 100.0. Page 39

STERLING closed in New York at $1.4525. It fell in London to $1.6830 (1.6840); to DM 2.9925 (DM 2.9950); to Y235.5 (Y235.75); to SFr 2.4550 (SFr 2.4575); but rose to FFr 10.01 (FFr 10.0075). The pound's exchange rate index rose 0.1 to 73.8. Page 39

LUFTHANSA, West German state-owned airline, is raising DM 300m ($169m) in new capital in a transaction which will lower the federal government's share to just over 75 per cent from 80 per cent. Page 29

CDF CHIMIE, the loss-making French chemicals company recently split off from the state-owned coal mines, plans to open up the capital of its more profitable subsidiaries to outside investors. Page 30

RICOH, the Japanese office automation equipment manufacturer, reported second consecutive double-digit fall in pre-tax profits in the year to March 1987, falling by 27.7 per cent to Y18.55bn ($132.7m).

JC PENNEY, third biggest US retailer, reported its fifth consecutive quarter of record earnings, increasing its first-quarter pre-tax profits by 42.3 per cent to $218m. Page 29

ADVANCED Micro Devices, the Silicon Valley semiconductor manufacturer, filed a $1bn claim against neighbouring Intel, one of the largest US chipmakers, in a dispute over the licensing of Intel's latest microprocessor. Page 29

NEW ZEALAND's stock market rallied following Monday's worst ever setback and many blue chips recovered some of their losses. The Auckland share tip sheet, which helped to cause Monday's dramatic fall, said it now believed the market had fallen far enough. Page 50

# US Congress leaders seek reappraisal of policy in Gulf

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

LEADERS of the US Congress yesterday called for a re-examination of the country's military policy in the Gulf in the wake of the Iraqi attack on the US frigate Stark.

Senator Robert Dole, the Republican majority leader and a presidential candidate was implicitly critical of the Reagan Administration's policy in the area.

"It is time to rethink just exactly what we are doing in the Gulf," he said. "It is critical that every step be taken to protect our ships," he added.

Reacting to the Iraqi missile attack on Sunday which killed at least 37 US crewmen, senior Administration officials said the US was determined to ensure free passage for ships in the Gulf and warned that aircraft threatening US warships would be shot down.

"The US is obligated to see that we do maintain free transit ... if we see aircraft in an attack mode long before they reach us or before they are in a position to shoot ... Iran and Iraq should be on notice that we are going to shoot them down," Mr Howard Baker, White House Chief of Staff said.

However, officials are unable to explain why the ship failed to defend itself against the attack.

Mr Baker, conceding that Washington did not yet know why the Stark had not defended itself, asked "Why, for instance, did we not have that ship at a higher state of alert? My guess here is that this is another case where we perhaps should have anticipated hostilities sooner than we did."

President Reagan said yesterday that the order of battle for US warships was now "defend yourselves." Speaking to high school students in Chattanooga, Mr Reagan said US ships were in the Gulf to protect American interests and to maintain freedom of navigation and access to oil supplies.

"It's a vital mission. But our ships need to protect themselves and they will," he said.

Iraq has formally apologised to the US for the attack and Washington has accepted that the attack was a result of what Mr Caspar Weinberger, the Defence Secretary, described as a "ghastly error" by the Iraqi pilot.

But Mr Weinberger and Mr Baker conceded that what they know about the incident so far still leaves many questions unanswered.

On Capitol Hill, where the Administration was preparing to give secret briefings to members of the Senate foreign relations committee, there were early signs that some leading Democrats were preparing to subject the Administration to some critical questioning of its strategy in the Gulf.

Senator Sam Nunn, the influential chairman of the Senate foreign relations committee questioned whether the forces the US had in the Gulf were adequate for the task they are being asked to undertake. "What kind of force package do we want in the Gulf?" he asked.

Some are questioning whether the Administration has clearly thought through the risks it is running. Comparisons are being drawn between the ultimately disastrous peace-keeping role played by the US marines in the Lebanon in 1983 and the US efforts to guarantee free transit of ships in the Gulf in the middle of a war between Iran and Iraq.

Mr Weinberger vigorously rejected the comparison saying of the Gulf: "We have to be there, it's vital to the West and to America ... that oil traffic move freely."

Even Administration officials, however, are hinting that they have doubts about whether the Pentagon had properly identified the risks it was taking.

Editorial comment, Page 26

# Paris backs Airbus with FFr 6bn aid for French partners

BY GEORGE GRAHAM IN PARIS AND DAVID MARSH IN BONN

FRANCE agreed yesterday to give nearly FFr 6bn ($1bn) of aid to the French partners in the Airbus consortium to finance its planned A-330/A340 medium and long range airliner programme.

The aid was agreed in Paris by a ministerial committee chaired by Mr Jacques Chirac, Prime Minister. It follows last week's decision by the UK Government to give £450m ($756m) of aid to British Aerospace, the UK partner in the airbus consortium.

Airbus's West German partner, Messerschmitt Bölkow Blohm, has still not tied up government funding for its share of the development costs of the airliner project. Bonn, however, is likely to announce its financial support for the new aircraft at a cabinet meeting on June 3.

Mr Geoffrey Pattie, the British minister responsible for aerospace, who was in Bonn yesterday to sign a mobile telecommunications accord, said it was a "racing certainty" that Airbus Industrie, the four-nation consortium, would be able to announce the launch of the A330/A340 project on June 11. This is the first day of the Paris air show and UK election day.

He added that the likely go-ahead next month for the new generation of European Airbus airliners could open the way for talks an cooperation with McDonnell Douglas, the US aerospace group.

Any idea of pooling efforts between McDonnell Douglas and Airbus on the A340/MD-11 projects has now been shelved. However, Mr Pattie expected the June 11 launch announcement to be followed by contacts between Airbus and McDonnell Douglas during the Paris air show on possible cooperation on other areas such as a stretched version of the narrow-body A-320 which Douglas has suggested in the past.

Mr Pattie said last week's decision to offer British Aerospace UK government aid for the project represented a "fair compromise" to enable BAe to carry out its share of the work on the A330/340.

He refuted the idea that the offer had been heavily influenced by election considerations. "The election would not have stood or fallen on this issue," he said. "If the Prime Minister felt we were making an offer over the odds, we wouldn't have made it."

Mr Jacques Douffiagues, the French Transport Minister, said that the Government would provide FFr 4.86bn to Aerospatiale, the state-owned aircraft manufacturer which has a 38 per cent stake in the Airbus Industrie consortium.

The Government will also provide FFr 960m to Snecma, the state-owned aero engine manufacturer. Its CFM56 engine produced jointly with General Electric of the US, will power the A-330s and A-340s following the withdrawal of the International Aero Engines consortium which had been proposing an advanced Superfan engine for the aircraft.

The money is in the form of reimbursable advances, and represents 60 per cent of France's share in the development costs of the two new Airbus models.

France has repeated its commitment in principal to the A-330/A-340 programme, the next generation of Airbus airliners, which it regards as essential to giving the consortium a complete product range.

The Government has, nevertheless, had reservations over the details of the programme proposed by Airbus.

The withdrawal of the IAE consortium was greeted with some relief by French officials, however. They are pleased that Snecma and General Electric will supply all the engines for the programme and had been sceptical about the chances of completing the Superfan in time.

Airbus has now won 128 orders and options from airlines ready to buy both the long range, four-engined A-340 and the medium range, twin-engined A-330. For the A-340, the airlines include Air France, with seven orders, and Lufthansa, with 15 firm orders and 15 options, and Northwest Airlines of the US, which has ordered 20 aircraft.

Northwest is also among the airlines backing the A-330, for which it has taken 10 options. Air Inter, the French domestic airline, is committed to the A-330, while International Lease Finance of the US and Thai Airlines are also believed to have placed orders.

In total, the A-340 has registered 87 orders and options, and the A-330, 41. By the year 2005, Airbus hopes to have sold 500 of each model.

The two models are seen by the Airbus consortium as two essential parts of the same programme, sharing the same wings and a similar fuselage design.

# Citicorp warns of $2.5bn losses

By William Hall in New York

CITICORP, the biggest US banking group, announced yesterday that it was adding $3bn to its reserve for possible credit losses as part of a move to significantly strengthen its balance sheet and would report a second quarter loss of approximately $2.5bn.

The move, which will boost Citicorp's loan loss reserve to $5bn or 3.7 per cent of its loans, is the most dramatic response by any major international bank to the problems of the Third World debt crisis. It is likely to have a major impact on world financial markets and in particular the stocks of other leading US money centre banks.

Citicorp said the decision was approved at its board meeting yesterday and resulted from a broad review of global economic trends and their potential impact on the bank's major customers.

The board had reviewed in detail Citicorp's sovereign debt portfolio in the light of the various agreements reached with major borrowing countries and its recent decision to put its Brazilian cross-border loans on a cash basis.

Citicorp had around $4.6bn of loans outstanding to Brazil at the end of last year, $2.8bn to Mexico, $1.4bn to Argentina and $1bn to Venezuela.

Mr John Reed, Citicorp's chairman, told a press conference in New York yesterday: "This increase in the reserve is related to the sovereign debt issue and our commitment to play a constructive and continuing role in its resolution. In addition to the general risks, this increase relates to our decision to re-structure our current exposure through debt/equity swaps, sales,

Continued on Page 28

# More tax cuts pledged by UK Conservatives

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE TWO major British political parties yesterday unveiled their election manifestos, with the ruling Conservative Party promising further tax cuts as well as changes in housing and education policy.

The Labour Party opposition, in a deliberately cautious manifesto intended to establish its credibility as an alternative government, pledged to reduce unemployment by 1m within two years and committed itself to a £3.6bn ($6bn) anti-poverty programme.

Further privatisation and tax cuts were among the measure outlined by the Tories in their manifesto, which Mrs Margaret Thatcher, the Prime Minister, said set out "real radical policies for the next parliament."

The 77-page document combines far-reaching proposals limiting the scope and powers of local authorities, and makes cautious reference to a Number of sensitive economic and social issues such as tax reform and Sunday trading.

Mrs Thatcher said the manifesto put paid to any suggestions that the Conservative Party was "running out of ideas after two periods of office."

She stressed the theme of "power to the people," involving further moves to spread the ownership of homes, shares and pensions, and the sale of state industries back to the people.

"We want to extend greater choice in services like housing and education so that parents can choose their children's school, schools can opt out of local authority control, boroughs can opt out of the Inner London Education Authority and council tenants can choose new landlords."

At her most ebullient, Mrs Thatcher opened her launch press conference by pointing to eight fellow Cabinet ministers, saying "we are a team", and inviting some to speak.

But in characteristic commanding form she answered many of the questions herself, leaving Sir Geoffrey Howe, the Foreign Secretary, looking particularly redundant. Several times she apologised, saying it was like Prime Minister's questions in the Commons when she was on her own.

Mr Neil Kinnock, the Labour leader, said the party's manifesto pledged only "what we know can be achieved. What you see is what you get."

Mr Kinnock said Labour had deliberately chosen to do "a few, very big, significant things." He stressed that the highest priority would be to reduce unemployment.

Mr Roy Hattersley, the party's deputy leader, said the programme was more realistic than in 1983 because it was "more modest in aspiration and more specific in costing."

The only other specific commitment is a programme to help pensioners, families with children and the long-term unemployed. This will be financed by increasing taxes on the highest paid 5 per cent, which Mr Hattersley said meant individuals earning more than £500 a week.

Mr Hattersley said that while the jobs programme would include investment directly improving the health service, education and housing, other "highly desirable" policies would be implemented "when, and only when, economic circumstances allow."

Continued on Page 28

Details, Pages 8, 12–16; Editorial comment, Page 26

# European governments agree on joint mobile telephone system

BY DAVID MARSH IN BONN

FOUR European Governments yesterday signed an accord to set up a pan-European mobile telephone system by 1991 in one of the most ambitious steps so far to integrate the continent's telecommunications network.

The agreement on standards and specifications for the proposed digital system, seen eventually as serving 10m customers, was reached by West Germany, France, Britain and Italy. It aims to maximise industrial efficiency by bringing together competing European consortia to bid for work on the project.

It will replace the present, heavily splintered networks of lower-quality systems which run on overcrowded frequencies and rule out use across national boundaries.

Mr Christian Schwarz-Schilling, the West German Posts and Telecommunications Minister, who hosted yesterday's signing, hailed the agreement as an "historic milestone" for European electronics cooperation.

The accord is viewed as giving European companies a better chance to stand up to US and Japanese competition by pooling forces on the mobile telephones sector. The four countries also see it as a paving stone along the way towards the EC's goal of achieving a genuine internal market by 1992.

The accord centres on the so-called narrow band technology for the future network, enabling available radio frequencies to be used more efficiently than under the competing wide-band system originally favoured by France and West Germany.

The four countries succeeded in hammering out accord on the narrow band option only after considerable discussion over the last few months. It also contains some elements of the Franco-German technological proposals.

Mr Geoffrey Pattin, the minister responsible for information technology at the UK Department of Trade and Industry, which had all along favoured the narrow approach, said yesterday that the breakthrough was "a test case of technological collaboration in Europe."

The agreement showed Europe had the "political will" to cooperate. "It has pulled us back from the brink of a totally unacceptable situation in which we would have seen different systems in Europe in the 1990s," he said.

Mr Schwarz-Schilling said companies working on the system would have to reply to Europe-wide tenders and would be teaming up in cross-border consortia along the lines of collaborative radio telephone links already forged by French and West German companies in recent years.

Officials made clear the system was designed to stretch from Scandinavia to the south of Europe. European companies such as Siemens and Bosch of West Germany, Alcatel and Matra of France, Philips of the Netherlands, Ericsson of Sweden and GEC, Racal and Plessey of the UK are all expected to be interested in the business.

At present there are about 560,000 mobile phone subscribers in Europe. Growing pressure on existing analog systems – which offer lower quality and less adaptability than the digital network – make necessary a change-over to the new system by the beginning of the 1990s. Mr Schwarz-Schilling said last night the day was not too far away when the mobile telephone would become a "mass product."

Call for tariffs on Japanese electronics, Page 28



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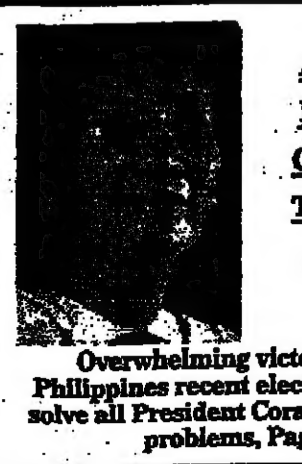

**AQUINO FACTOR CARRIES THE DAY AGAIN**

Overwhelming victory in the Philippines recent elections will not solve all President Corazon Aquino's problems, Page 4

## EUROPEAN NEWS

# Brussels seeks campaign to aid EC unemployed

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday called for an overhaul of national labour market policies within the EC, to concentrate on the deteriorating situation of the long-term unemployed.

More than half the total number of jobless in the Community have been unemployed for more than one year, with the proportion in some countries — such as Belgium, Italy and Ireland — rising to well over 60 per cent, according to official statistics.

The Commission is now calling for a co-ordinated campaign among the 12 member states, aimed to bring the proportion down from the current average of more than 50 per cent, to a maximum of 30 per cent by 1990.

A special report on the crisis of the long-term unemployed says their numbers have grown more rapidly than EC governments have been able to introduce special programmes to deal with it.

It criticises governments' labour bureaux for concentrating their efforts of finding the best candidates for job vacancies, rather than in helping the individuals who have most difficulty in finding any job at all.

Belgium is singled out as the member state worst hit by long-term unemployment, with 68.3 per cent of jobless out of work for more than a year, followed by Italy with 63.6 per cent and Ireland with 62.2 per cent. The Netherlands and Spain are also both above the EC average of 52.8 per cent, with 56.4 and 56.3 per cent respectively.

The UK, with 48.7 per cent of the total jobless classified as long-term, and West Germany with 46.9 per cent, are just below the average. Denmark and tiny Luxembourg are well down the list, with 32 per cent and 36.8 per cent respectively.

The Commission's report to the Council of Ministers calls for a guarantee, to all those out of work for more than a year, of a minimum level of job-seeking advice, personal interviews and places on training schemes.

National programmes should offer at least three options, the Commission says: professional training and retraining courses; job-creation subsidies and integrated programmes offering advice, training and subsidies.

Also, EC governments should undertake much closer surveillance of danger areas and individual unemployed at risk of remaining out of work.

The Commission reports that the European Social Fund already devotes 25 per cent of its heavily oversubscribed funds to the long-term unemployed, with about half the amount allocated to employment creation, mostly in the private sector.

Ten per cent of the fund's resources go to professional training.

# Farmers protest against proposed price cuts

BY TIM DICKSON IN BRUSSELS

SOME 15,000-20,000 European farmers took to the streets of Brussels yesterday in a peaceful protest against the European Comunity's proposed price cuts. Although the demonstration passed off without incident, most observers felt that there was more action outside than inside the Charlemagne Building where the EC's farm ministers continued their vain struggle to agree the next stage of common agricultural policy reform.

Few signs emerged that the paper delivered on Monday by the Belgian chairman of the council, Mr Paul de Keersmaeker, would quickly break the opposition which has built up to all the key elements of the Commission's restrictive prices package.

The paper—which is the basis for discussion, not a formal compromise — expanded the idea of a freeze on most cereal prices rather than the cuts suggested by the Commission, plus a new "intervention" system for the sector which would only be triggered when the average Community market price fell below the intervention price; a return to the pre-1984 system of monetary compensatory amounts (MCAs) under which both positive and negative MCAs would be created to mitigate currency movements and only dismantled through "green" currency adjustments on a semi automatic basis (i.e., in two stages); and a small but potentially significant modification to the highly controversial oils and fats tax proposal which would reduce the levy from marine oil.

Much of yesterday was taken up with a further discussion of the MCAs, the changes to which would reduce West German farm incomes to an extent considered unacceptable by the Federal Republic's Farm Minister, Mr Ignaz Kiechle. Mr Kiechle apparently held out the prospects of small concessions, but most delegations did not feel that the West German position had changed fundamentally.

During an interlude in the negotiations, Britain's junior Farm Minister, Mr John Gummer, took the opportunity to lambast the proposed oils and fats tax, a mechanism that would be applied to crushers of both imported and domestically produced oils.

"It is the most immoral proposal the Commission has ever put across," he said. "It means taxing the products of the poorest nations in the world, and using the money you get to subsidise the products of the farmers of Europe in order to export these products to undercut the poor nations in their own markets."

Mr de Keersmaeker is expected to focus today's discussions on the Common's restrictive proposals for the fruit and vegetable regime. He will then decide whether to "go on to the finish" or postpone the meeting until the weekend. The Franco German summit tomorrow and Friday in Paris is expected to provide an opportunity for French and German ministers to attempt to find a way through the agri-monetary maze.

With Itolian and British general elections likely to complicate negotiations next month and the approaching European summit at the end of June, most EC farm ministers are understood to be keen to reach decisions this time, however painful and however protracted.

RETAIL SALES CONTINUE HIGH AS PRODUCTION SLOWS

# Rising consumption puts Swedish recovery 'at risk'

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH Finance Minister, Mr Kjell-Olof Feldt, warned yesterday that the recovery achieved in the Swedish economy over the last couple of years could be "endangered" if private consumption continues to grow as rapidly as it has in the first quarter.

It was "a source of concern" that growth in the Swedish economy was being generated primarily by increased consumption, he told the Nordic Investment Seminar in Stockholm yesterday.

In recent days interest rates in the Swedish bond market have risen to their highest level since the beginning of last year, amid growing concern for the future development of the Swedish economy.

The latest official statistics published in recent days, which show a continuing high level of retail sales, a weakening for eign trade balance, and a dampening of industrial production, have helped undermine confidence in the financial markets and led to one of the sharpest ever single day falls in the Stockholm stock market on Monday.

Concern has been increased by the Government's apparent inability to push through its full package of measures to tighten fiscal policy announced at the end of April in the revised budget for 1987-88.

Sweden's minority Social Democratic Government had planned to increase real estate taxes in order to raise Government revenues by SKr 2.7bn (£262m) but it has already been forced to withdraw the proposal in the face of a united opposition from the three non-Socialist parties and the Communists, a constellation the Social Democrats have started to describe as the "gang of four."

In the absence of a tighter fiscal policy, much of the burden of containing rising private consumption is being borne by monetary policy, but there is concern that the resulting high interest rates could undermine investment.

In a new economic forecast published yesterday Swedbank, the central bank of the Swedish savings banks, warned that rising consumption could mean higher rather than lower interest rates in Sweden.

Mr Hubert Fromlet, the bank's chief economist, said

Feldt: concern

that lower wage and price increases could create the room for both higher consumption and investments, but he warned that instead Sweden faced a period of rising inflation, a difficult wage bargaining round in 1988 and weak fiscal policy.

● March retail sales jumped by 8.0 per cent (plus 6 per cent in the first three months) and according to the National Institute of Economic Research it is likely that private consumption will rise by 4 per cent this year, rather than the 3 per cent forecast in the revised budget.

● The Swedish trade surplus in the first four months of the year fell to SKr 9.7bn from SKr 11.5bn in the corresponding period of 1986. Excluding oil and ships the deterioration was even more marked with a fall in the surplus from SKr 17.8bn to SKr 12.7bn.

In volume terms, excluding oil and ships, exports stagnated, while imports rose by 10 per cent, according to the Central Office of Statistics.

● Industrial production in March was 2.2 per cent lower than in February and only 0.6 per cent higher than in March last year. In the first quarter this year industrial production was 0.6 per cent lower than in the last quarter of 1986, but was 1.4 per cent higher than a year earlier.

● The latest inflation figures show some consolation for the Government, however, even though there is currently a price freeze operating in Sweden. Consumer prices rose by 3.4 per cent in the 12 months to April compared with an increase of 3.8 per cent in March.

# A gem of a scandal a la mode

By Paul Betts in Paris

A WHIFF of scandal is floating over the Place Vendôme — the undisputed golden square of Paris which includes among its denizens the Ritz Hotel, the Morgan Guaranty Bank, the Justice Ministry, and some of the capital's most famous jewellers.

The trouble, which is said to have reached the ears of Mr Jacques Chirac, the Prime Minister, concerns one of the most venerable jewellers of all, the house of Chaumet, dating back to the 18th century.

Chaumet has been facing increasing financial difficulties and is reported to be on the brink of bankruptcy. So far, the financial woes of Chaumet had been kept as discreet as possible while bankers, creditors and other interested parties have toiled over a solution to avoid any unpleasant publicity.

But the satirical weekly Le Canard Enchainé blew the whistle a few weeks ago, and the august newspaper Le Monde picked up the story again on its front page yesterday with a detailed report on *L'affaire Chaumet*.

A string of unfortunate operations in the speculative world of precious stones appears to have left Chaumet with a gaping financial hole and debts of several hundred million francs. Le Monde says initial estimates put Chaumet's banking debts at about FFr 678m (£67.8m).

All the parties concerned appear keen to keep the lid on the affair as far as possible and avoid seeing Chaumet forced into the bankruptcy courts.

Indeed, the nature of the business and the influence of its clients that are said to worry the prime minister's office, turning the troubles of the house of Chaumet into an affair of State. Mr Jean-Yves Haberer, former chairman of the bank of Paribas, was called in to help resolve the delicate matter.

One probable solution involves the takeover of Chaumet, a family business, by a group of French or foreign investors. Among the candidates interested is Invest Corp, which controls Tiffany's, the famous US jeweller. Also keen is a Saudi Arabian and the French jeweller Boucheron, also headquartered in the Place Vendôme.

# Agreement on missiles far from certain, says Karpov

BY PATRICK COCKBURN IM MOSCOW

THE SOVIET UNION believes it is far too early to say that agreement will be reached on the elimination of medium and shorter range nuclear missiles according to Mr Viktor Karpov, the senior Soviet arms control official.

Writing in yesterday's Communist Party daily Pravda, Mr Karpov, head of the Foreign Ministry's Arms Control Directorate, says that the moment of truth has arrived for an agreement on disarmament in Europe.

He says the current discussions in Nato showed that the Soviet proposals had caught member countries unawares. Mr Karpov says that American and West European leaders who had previously demanded that medium range missiles in Europe be negotiated separately from strategic and space weapons were now backtracking

Mr Karpov says the Soviet Union is not merely seeking an end to nuclear weapons in Europe but wants "a comprehensive European security system" which would also exclude the possibility of warfare with conventional weapons.

● A new law specifying the rights of a Soviet citizen against unlawful actions by officials is to come into force at the next session of the Supreme Soviet in June, the Soviet news agency Tass reported yesterday. It says that the law will enable Soviet citizens to bring legal actions against officials "who did damage to people by their inaction or procrastination."

A further difficulty faced by Soviet citizens seeking redress against officials is spelled out by a survey of 736 Soviet judges of whom 43 per cent said they always believed a defendant guilty if he was brought before a court. Half of those questioned said they were often convinced of the guilt of the accused before a trial started.

According to Dr I. Petrukhin, a researcher at the USSR Institute of State and Law, judges often accept tape recordings or videos of confessions without taking into account how the confession was obtained. He says that the role and number of lay jurors, two of whom currently sit with a judge, should be strengthened and the defendant given the right to object to those he feels are not competent.

Dr Petrukhin also proposes that the legal education of judges be improved as well as their number. He says that many are overworked because the Soviet Union has the same number of judges as West Germany

# Paris acts on exchange controls

By George Graham in Paris

THE FRENCH Finance Ministry is planning to dismantle the last remaining exchange controls which protect the franc.

The Government has already undertaken four rounds of reforms since it came to power in March last year which have gradually reduced the number of exchange control regulations. It has hesitated, however, to abolish the controls at a stroke, as Mrs Margaret Thatcher's government did when it came to power in the UK in 1979.

The waves of speculation which have hit the French franc, forcing France to accept a devaluation against the D-mark last January, have confirmed the Government's view that some protection needed to be retained.

The two major controls which remain in force are the ban on French residents holding foreign currency accounts, and the restriction on French franc loans to foreign residents, unless they are backed by non-resident Eurofranc deposits.

Among other effects, this restriction inhibits currency speculators from financing their positions.

Mr Edouard Balladur, the Finance Minister, has claimed that 90 per cent of the exchange controls have now been abandoned, but bankers say the curb on French franc lending to foreigners is still a hindrance.

Individuals also find the remaining restrictions on their foreign currency transactions irksome. French citizens have traditionally adopted a cavalier attitude to exchange controls, however, and hold large sums overseas in Swiss bank accounts or in gold.

# Prospects darker for W German fast breeder nuclear reactor

BY DAVID MARSH IN BONN

PROSPECTS for the entry into service of West Germany's expensive completed fast breeder nuclear reactor at Kalkar on the upper Rhine have dimmed further amid a rapid waning of political and economic support for the project.

Mr Franz Josef Strauss, the Bavarian Prime Minister, probably the country's foremost advocate of nuclear energy, has caused a stir by hinting that fast breeder technology may not go ahead in West Germany.

At the same time, Mr Heinz Riesenhuber, the Bonn Research and Technology Minister, whose Ministry has provided most of the funding of the DM 6.5bn (£2.2bn) project, has made clear that the Government will not put up any more money for further projects.

Mr Riesenhuber said in an interview that any question of another fast breeder project to follow the multinational Superphoenix reactor under French leadership, which went on stream in the Rhone valley last year, was purely a "question for the industry . . . not for the Government."

Mr Strauss, who has been closely associated with the 30-year drive of the West German nuclear industry to compete with the US, Britain and France, appeared to put some distance between himself and the Kalkar fast breeder venture at a symposium on nuclear waste management in Munich.

He said that the reprocessing of spent nuclear fuel into plutonium and reusable uranium, to be carried out at a hotly-contested industrial-scale plant planned in easter Bavaria for the mid-to-late 1990s, would still make sense even if plutonium-burning fast breeders did not come on stream.

His remarks, supporting the concept of feeding plutonium not into fast breeders but into first-generation light water reactors, underline clouds over the Kalkar project which have been thickening for several months.

The plant, which has taken 14 years to build, has been refused an operating licence on safety grounds by the Social Democrat-ruled government of North Rhine Westphalia. It has also given the plant's operator until the end of next month to come up with numerous changes in safety procedures.

Financing for Kalkar risks running dry next year. The Bonn Government would need to summon up considerable political will to push through operation of the plant against the wish of the state government. General public disquiet about fast breeders has been increased by a leak in a sodium tank at the Superphoenix plant last month, even though the nuclear industry has denied any danger.

# UK appeal over steel quotas

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is under pressure from UK industrial steel users to increase the production quotas available to the British Steel Corporation. The BSC is having to exceed its quotas for EC deliveries because of the strength of UK demand and risks heavy fines as a result, warns the British Iron and Steel Consumers' Council in a letter to Mr Karl-Heinz Narjes, the Industry Commissioner.

"This puts BSC under pressure to set its prices higher than they would otherwise be or to reduce the funds available to it for further vitally needed investment. Either way the interests of British steel producers are adversely affected," says the letter.

The Commission is starting to reassess its steel policy following the collapse of attempts by Eurofer, the group of big integrated steel producers, to agree voluntary production cuts big enough to bring output into line with demand.

Individual companies' EC steel quotas are not published, but UK output—of which BSC has well over 75 per cent—rose by 12 per cent in the first four months of this year to a weekly average of 335,300 tonnes, at a time when production in the rest of the Community was declining.

# Simitis sets face against subsidies

By Andriana Ierodiaconou in Athens

GREECE'S Economy Minister, Mr Costas Simitis, yesterday voiced strong opposition to state protectionist barriers and subsidies as a means of preserving industrial competitiveness. He called for a concerted effort to boost productivity, improve quality and marketing, and introduce new technology in manufacturing.

A protectionist policy, he said, would lead to an unsustainable increase of costs in consumption and production" and would "provoke reprisals with catastrophic repercussions on our exports."

Mr Simitis also warned industry that it could not rely indefinitely on the wages standstill and the sliding devaluation of the drachma introduced at the end of 1985 as part of measures to stabilise the economy. "In the long term, supporting competitiveness through foreign exchange policy and a reduction of real incomes does not constitute an acceptable solution".

Since Greece joined the European Community in 1981, he said the level of exports to EEC countries had gone up from 48 per cent to 55 per cent of the total. In the same period, however, EEC imports into Greece increased from 35 per cent to 50 per cent. Greek exports depended on a relatively small range of traditional manufactured products for which demand was low.

● The unity of Greece's conservative opposition, fragile since the right lost power to the socialists five and a half years ago, suffered another blow yesterday with the departure from the New Democracy Party of Mr George Rallis, an MP and former Prime Minister.

His resignation was preceded by the expulsion from the party last week of his son-in-law, Mr Anastasios Papaligouras, also an MP. The latter's misdemeanour was to have written a newspaper article hinting at the return to active political party life of New Democracy's former leader and president, Mr Constantine Karamanlis, who has been in retirement since 1985.

The article was taken as a challenge to his leadership by New Democracy's present chief, Mr Constantine Mitsotakis.

At a news conference Mr Rallis blamed Mr Mitsotakis' policy of expelling "youthful and dynamic" individuals from the party for the fact that the conservatives had failed to reap the maximum benefit from the decline in the Socialist Government's popularity over the past two years.

'D (for Deregulation) Day' holds fewer fears for the country's telephone monopoly, writes **Paul Betts** in Paris

# French state telecoms body switches on to competition

THE DIRECTION Generale des Telecommunications (DGT), the large French state telecommunications authority with annual sales of FFr 91m (£30m) and a workforce of more than 160,000, is bracing itself for the not-so-distant day of deregulation in telephone services.

"We call it D-Day," remarked a senior DGT official with an anxious laugh. "It no longer seems totally impossible that we will have to compete in a few years time in basic transmission services with a French equivalent of Britain's Mercury, a sort of Mercure de France."

For the past year, the Government and especially Mr Gerard Longuet, the arch-liberal Post and Telecommunications (PTT) Minister, have spoken of opening up to competition a sector which has proved one of France's big technological and industrial success stories of the past decade.

Plans have already been announced to put to Parliament before the end of this year a law on competition in telecommunications designed to liberalise the sector and gradually break up the DGT monopoly. Mr Longuet in a moment of liberal zeal before Easter went as far as suggesting that he would like to see as much as 40 per cent of the telecommunications monopoly deregulated opened to competition over the next few years.

The DGT at the start was inevitably unsettled by all this talk of deregulation. A favourite reference at its headquarters was a remark by Judge Harold Greene, the man who broke up the Bell system in the US and later wondered if he had perhaps not made the biggest mistake of the century.

However, it appears increasingly to have come round to the idea of deregulation and competition as long as the choices made by the Government will enable it to compete fairly.

fairly. For with the advent of the unified European market in 1992, the DGT foresees the world of European telecommunications transforming itself into a similar sort of structure as the deregulated Bell system in the US.

The telecommunications authorities of the different European countries, privatised or still under state control, will become like Bell operation companies (BOCs) in America, and will be regulated by a European Federal Communications Commission (FCC) in Brussels similar to the one in Washington which regulates the BOCs. "The various European telecom groups will be competing in an open European market. And like the BOCs some will do better than others. The question for the DGT is to make sure it will be in the top league of the European BOCs," said a DGT executive.

Most French industry experts believe it will be physically impossible to open up the DGT market by 40 per cent in the next five to six years. However, they also point out that the French telecommunications market is already more deregulated than others in Europe. For years, the market for private autocommutation branch exchanges (PABX) and telephone terminals has been open to the private sector. This market alone accounts for about 20 per cent of the overall telecommunications market.

**Most industry experts believe it physically impossible to open up the market by 40 per cent within six years. But they point out that the French market is already more deregulated than others in Europe**

With the recent privatisation of Compagnie Generale des Constructions Telephoniques (CGCT) and its sale to a consortium including Ericsson of Sweden and Matra of France, the French public telephone switch market has also been opened to foreign competition. Indeed, the DGT appears pleased with the decision to opt for the Ericsson solution for CGCT rather than the AT & T-Philips or the Siemens alternatives, believing that Ericsson will provide greater competition in the domestic public switch market.

In the case of AT & T, the DGT was concerned about the possible competitive implications of the US group's proposed microwave deal with Alcatel, the DGT's main public switch supplier which will now be competing against a privatised CGCT.

If PABXs and terminals are included in the French minister's calculations for deregulation, it would leave only 20 per cent of the original 40 per cent deregulation target for the French telecommunications market. But even this figure seems large.

The telecommunications authority regards a more modest target of 5 per cent — at most 10 per cent over the next five to six years — as more realistic. If it were to choose, it would also clearly prefer France to opt for a British solution to telecommunications deregulation, with a small part of transmission services opened to a second private carrier like Mercury but with the main telecommunications authority continuing to be strongly present in both standard and value added services.

However, before embarking on its new law on competition in telecommunications services in France, the Government has indicated it intends to deregulate imminently as a first step the market for so-called value added telecommunications networks services or VANs. Already major groups like IBM and Olivetti have lined themselves up with French partners to offer VANs in the expectation that the Government will soon open up this sector to competition.

The Government is also planning to open to competition the radio telephone market and has proposed to allow private groups to manage and own telephone call boxes, although this project seems to have been put in adeyance for the time being.

Although the DGT is not overtly opposed to liberalising the market for VANs, it has argued that it wants to remain a major player in the developing sector which involves advanced software and high profit margins. Indeed what it appears to fear most is a deregulation programme which would end up turning it into a national telephone transmission utility service, leaving the cream of the other value added services and markets to private competition.

Moreover, not everyone in the Government shares the some convictions about deregulation in telecommunications. If the PTT is now apparently keen to move to a more open competitive structure even though this is likely to put downward pressure on tariffs and DGT revenues, the finance and budgetary authorities are more reticent in view of the impact this could have on budget revenues.

The DGT has traditionally made an important contribution to the state budget. Its total contribution amounted to about FFr 20bn last year, including FFr 6.15bn for the general government budget, FFr4.3bn for the postal services, FFr4.3bn for the space agency, and another FFr 5.25bn for the electronics industry and other contributions.

In a deregulated environment, the DGT would clearly prefer to make more flexible use of its substantial annual cash flow of about FFr 28bn to enhance its own competitiveness rather than continue to be milked as a Government cash cow.

It also feels it will have to be equipped with the marketing and financial supports to compete. It is increasingly worried about competing against private groups offering attractive salaries to hold on to or encourage promising managers to work for the DGT. "We must be able to attract bright marketing and financial executives to help us to meet the new challenges of a deregulated market place," said an official.

The Government appears to have recognised this need. For this reason, value added tax will be introduced for French telephone calls at the beginning of November. For the DGT, the introduction of Vat was psychologically important because the authority would otherwise have felt handicapped compared with the new private competition able to offer Vat deductions to corporate customers.

Nevertheless, the Government may be tempted for pressing political reasons to procrastinate on its deregulation programme despite its liberal rhetoric.

With presidential elections next year, it may prefer to postpone legislation to avoid possible controversy with the DGT unions. Even for value added networks it has been dragging its feet despite its earlier commitment to open up this specialised market by early summer.

At the same time, the Finance Ministry appears to be in no hurry to see a deregulation programme launched which is bound to deprive it of a significant source of budgetary revenues just when it is trying to cut taxes and reduce the budget deficit. For all these reasons, the emergence of the Mercure de France may still be a few more years away.

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# AMERICAN NEWS

## North operated 'central bank' for Contras

BY LIONEL BARBER IN WASHINGTON

LT COL OLIVER NORTH ran a "central bank" in his White House office, receiving and distributing thousands of dollars to the Nicaraguan Contra rebels during the congressional ban on US military aid, the Iran Contra hearings were told yesterday.

Mr Robert Owen, who acted as a courier for Col North, said he handed around $30,000 to between six and 10 Contra leaders in 1985 and 1986 while the ban was in effect. He also disclosed that he was involved in supplying the Contras with arms while at the same time working for the US Government-sponsored Humanitarian Assistance Organisation which sent medical supplies to the rebels in Nicaragua.

Mr Owen, 34, a clean-cut man with boyish good looks, told the House-Senate panel on his second day of testimony that he took his orders from Lt Col North. While both men sometimes joked that their covert activities might land them in jail, Col North tolr him on November 25, the day he (North) was sacked as a National Security Council aide: "I would never do anything without orders or without somebody else knowing what I was doing."

According to Mr Owen, Col North received money from Mr Golofo Calero, the civilian superviser of the Contras' military operations, and would then distribute it to other Contra leaders. This was apparently aimed at overcoming jealousies within the Contra leadership.

Mr Owen was the go-between, flying on three occasions to New York where he picked up bundles of cash of $9,500 each, one in a Manhattan bank and once at a Chinese corner market. The money, less than $10,000 to avoid currency export restrictions, would then be taken to Central America.

● Hundreds of Swiss bank documents recording transactions by key participants in the Iran-Contra scandal will soon be released to US investigators, Swiss official said, Reuter reports.

## Latin summit to focus on foreign debt rates

INTEREST rates on foreign debts is to be a principal topic of a Latin American summit to be held in Rocha, Uruguay, next week.

The meeting was originally to have been only between President Raul Alfonsin of Argentina and President Julio Sanguinetti of Uruguay to discuss bilateral relations and the possibility of constructing a road bridge across the River Plate to link the two countries.

However, according to Mr Enrique Iglesias, the Uruguayan Foreign Minister, President Jose Sarney of Brazil is also to join the meeting.

In reports published in Buenos Aires yesterday Mr Iglesias is quoted as saying: "Latin America has been very pragmatic in dealing with the theme of the foriegn debt, but there has not been a similar response from industrialised nations.

"The rise in interest rates is used as a tool to regulate macro-economic imbalances in the industrialised nations. But what we cannot in any way accept is a rise in interest rates in relation to the foreign debts of the developing countries," he said.

The Argentinian Government is particularly worried over the steady rise in interest rates since last December, which it believes will undermine its economic stabilisation plans and growth targets for 1987.

The US prime rate, to which most of Argentina's commercial bank debt service payments are pegged, has increased from 6.5 per cent per annum last December, to 8.25 per cent with the latest rise last week. Every per cent increase on the interest rate adds a further $390m to Argentina's debt service bill to its commercial bank creditors.

The recent renegotiation of $30bn debt with the steering committee of Argentina's commercial bank creditors achieved a shift from US prime rate to Libor, to calculate the bulk of future interest payments. However, the US prime rate remains effective until all the banks agree to the renegotiation package.

## Jews, Arabs welcome ruling

JEWISH and Arab groups yesterday united in welcoming a US Supreme Court ruling which extended broad civil-rights protections to the two ethnic groups, AP reports from New York.

The unanimous ruling, on two cases, held that US civil-rights laws originally aimed at preventing and redressing discrimination against blacks were just as applicable to other groups.

## Sarney attacked on presidential mandate

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S political crisis deepened yesterday as senior politicians categorically rejected an attempt by President Jose Sarney to define unilaterally the length of his term of office.

The President used a television broadcast on Monday to declare that, in a compromise gesture, he would accept a one-year reduction of his six-year term. But he added that this must end the debate on the length of the term.

However, leading politicians of the majority Democratic Movement Party rejected the view that the issue was closed. They insisted that, while the President's opinion was useful, the decision remained with Congressmen, now drawing up a new constitution.

There are fears that the clash could provoke a constitutional crisis

Public reaction to the President's declaration was mixed. While some appeared to back the move, others argued that tackling Brazil's inflation-wracked economy was a more pressing issue.

The question of the mandate has increasingly dominated politics as different factions have argued for a four, five or six-year term. Under the outgoing constitution the presidential term is fixed at six years, taking Mr Sarney's Government to 1991. But this, Congress claims, may be ratified or altered by its members when sitting as the constitutional assembly.

In his broadcast, the president asserted that even the economy was now a victim of the impasse. "The uncontrolled explosion in prices which afflicts our population is, at its roots, the fruit of this lack of political definition," he said.

But Mr Sarney's attempt to close the debate immediately appeared unsuccessful. Mr Ulysses Guimaraes, president of both the PMDB and the assembly, said: "The opinion of the president is important, but the assembly has the sovereignty to decide the issue."

Another leading PMDB politician, Mr Mario Covas, rejected the president's declaration outright, reiterating his support for a four-year term. "This changes nothing," he said.

The predictable reactions have led analysts to ponder why the president chose to force an issue which would lead to his authority being challenged again.

One conclusion is that Mr Sarney wished to influence Congressmen members of the dominant PMDB who were scheduled to vote last night in a secret party ballot on the presidential term. However, this will not finalise the decision as a national PMDB conference on the constitution is due next month.

## Cerezo claims progress on aid

By Anson Ng in Guatemala City

THE VISIT of Guatemala's president, Venicio Cerezo Arevalo, to Washington last week is being billed in Guatemala as a political and economic success despite the modest increase in US aid and the differences in approach towards central America's conflicts.

Mr Cerezo acknowledged that US economic and military aid to Guatemala, which totals about $135m (£80.4m) this year, falls short of the country's needs. But he considered the amount "reasonable" since Guatemala was unwilling to sacrifice its autonomy for more funds.

Mr Cerezo sensed a change in US attitudes as President Reagan focused his comments on democratisation in Central America rather than on the military aspects.

Canute James in Kingston reports on a dilemma facing the Jamaican leader

## Pressure grows for Seaga to gamble on poll

"I AM not watching the man in the other lane," says Mr Edward Seaga, Jamaica's Prime Minister, reacting to opposition calls for an early general election. "I am swimming at my own speed and with my own timetable."

Mr Seaga has consistently said he will not entertain the suggestions for an early election, which he does not have to call for another 20 months. But officials of his conservative Jamaica Labour Party (JLP) say there is something of a dilema within the party over whether he should seriously contemplate an early vote.

The rethinking has less to do with an improvement in the waning popularity of the JLP, and more to do with a growing crisis in the leadership of the opposition social democrat Peoples National Party (PNP). Mr Michael Manley, the party leader and a former prime minister, recently had surgery for the second time in two years, and is out of active politics until the end of July.

Mr Manley's doctors have said that if they advise him to do so, he would quit politics altogether. The PNP, without Mr Manley, could be at a disadvantage in an election, and would be hard put to maintain the high level of popular support it recorded last July in handsomely winning local government elections – a level of support which recent public opinion polls have shown could give the party a substantial parliamentary majority.

The PNP has based its call for an early vote on its showing in the municipal elections, and on the projections of the pollsters. It says also that there should be an end to "one-party parliament" – a creature of the PNP's own making when it refused to contest a snap election in December 1983, arguing that Mr Seaga had violated an undertaking that he would not call any elections until the electoral system had been reformed.

Mr Seaga's predilection for holding out until the completion of his current term is based on the hope that the JLP's electoral stock will rise with success to his efforts to put some strength into the weak economy of the island of 2.3m people. The Prime Minister admits that there has been little real economic improvement since he took office six and a half years ago.

"The position...is not much improved over 1980, but there is good reason for this," he admitted. Much of the blame is placed on the bauxite mining and refining industry. The island is the world's third largest producer of the mineral, but weak demand cut output by 45 per cent bewteen 1980 and 1985. "During the period 1980 to 1986 net earnings from bauxite fell by US$1.18bn," he explains.

President Seaga (right) says he will not be pushed into an early election. But people within his party believe that there is wisdom in going to the people to exploit opposition disarray.

The sugar industry suffered from high local production costs and weak prices, while banana exports are a third of what they were in 1979, not having recovered from the effects of a hurricane in 1980. The island's tourism industry, however, performed creditably, with the volume of visitors up by 50 per cent in the shortfall from commodity exports.

The government has sought and received much foreign assistance.

In several agreements the IMF has granted access to over $1bn since 1981, but the country has been able to draw only a limited number of tranches, having repeatedly failed to meet agreed performance criteria. The foreign debt has jumped to $3.4bn, with a debt service ratio of 49 per cent which Mr Seaga says could be down to 25 per cent in the next five years.

But Mr Seaga claims there are signs of an improvement. He reports growth in GDP last year at 2.3 per cent, compared with a 3.7 per cent decline in the previous year, and the forecast is for 4.6 per cent this year. Unemployment has fallen to 23 per cent from 26 per cent and inflation has been reduced from 19.7 per cent in 1985 to 9.4 per cent last year, while the fiscal deficit has been reduced to 2 per cent of GDP from 18 per cent in 1980. The bauxite industry improved last year, and tourism is expected to continue growing.

The opposition argues, however, that such claims do not support the perception of the poor Jamaican of Mr Seaga's economic management. Mr Seymour Mullings, the PNP's spokesman on finance, has questioned many of Mr Seaga's projections.

"Little wonder the people question the relationship between the statistics Mr Seaga gives, and the reality of the Jamaican situation," Mr Mullings says.

The Jamaican reality also means that there are very few options for either Mr Seaga or a government which may be formed by the PNP. With the burden of the foreign debt and uncertain markets for exports, the economy is not being helped by reduced bilateral assistance from the US. Even with preferential access for a wide range of goods to the US, the island's major market, Jamaica's exports last year to that country, valued at US$322m, were US$96m less than in 1980.

## Argentina, Iran in N-power accord

BY TIM COONE IN BUENOS AIRES

A FORMAL agreement on nuclear co-operation was signed between Argentina and Iran at the beginning of the month, according to foreign ministry officials in Buenos Aires.

Under the agreement, Argentina is to modify a small research reactor in Tehran to enable it to operate with 20 per cent instead of 95 per cent enriched uranium, which will be supplied by Argentina from 1989. The deal is worth $5.5m (£3.2m), and operation of the research reactor and the transfer of the enriched uranium is to be carried out under safeguards of the International Atomic Energy Authority.

Details of the proposal were made public last March when it was revealed that Argentina, as part of an international consortium, was tendering for a construction contract to complete the 1,000 MW Bushehr I nuclear power plant in Iran.

Argentina is due to complete construction of its $180m enriched uranium facility this year, with which it will be able to produce about 500 kilograms of 20 per cent enriched uranium a year.

## Peru hit by general strike

BY BARBARA DURR IN LIMA

THE GOVERNMENT of President Alan Garcia faced its first general strike yesterday, hours after settling a four-day police strike. On Monday evening, the government agreed to more than double the basic police salary to put officers back to work.

Yesterday, the police were out in force under orders to impede demonstrations by workers backing the 24-hour strike.

The nationwide stoppage was called by the Communist trade union federation, Confederacion General de Trabajadores del Peru, the largest in the country. However, only 17.5 per cent of the workforce is unionised.

Participation in the strike appeared to be high, although many markets and some bank branches were open.

# Libyan diplomats ordered out of Australia

Australia yesterday ordered the immediate closure of the Libyan People's Bureau and gave all Libyan diplomats 10 days to leave the country, Ruter reports from Canberra.

Prime Minister Bob Hawke told a news conference the Government had taken the decision after careful consideration of what he described as the "destabilising role" of Libya in the South Pacific.

The move was not directly connected with the current civil unrest in Fiji following a military takeover last week, he said. But he said there was a "broad conceptual inter-relationship between the issues involved."

Mr Hawke also cited recent paramilitary training provided by Libya to dissident groups in the French territory of New Caledonia and the Indonesian provinces of Irian Jaya and East Timor.

He also accused Libya of being involved in divisive activities in Australia but did not give any details. Officials said it was a reference to Libya's recent support for radical groups within the Aboriginal community.

A Foreign Ministry spokesman said the Libyan mission,

Hawke: destabilising role

which had only two diplomats, had been established in Canberra for several years.

Australia has no mission in Tripoli but its embassy in Rome deals with Libya

Mr Hawke, who has been severely critical of what he termed Libya's attempts to gain a foothold in the South Pacific, said last month there was no evidence that the Libyan mission in Canberra was involved in subversive activities.

## Taipei opposition protest

BY ROBERT KING IN TAIPEI

TAIWAN'S opposition yesterday staged a big anti-Government demonstration on the streets of Taipei to protest against a proposed national security law.

But the day's events stayed peaceful. No incidents were reported by nightfall despite the participation of thousands of demonstrators and onlookers, and an even greater number of riot policemen.

Dissidents had originally planned to stage their protest a month ago. Instead Opposition leaders rescheduled the event for Tuesday, the 38th anniversary of the imposition of martial law by the Nationalist Government shortly after it fled China.

**Richard Gourlay** reports on the likely outcome of the Philippines' 'clean' poll

# Election landslide may not ease Aquino's lot

NINE DAYS after the first democratic election in the Philippines for 15 years, all the administration campaign manager's nightmares are coming true. President Corazon Aquino's chosen Senate candidates appear to have won all but two of the 24 Senate seats. "People will start questioning how it happened," Mr Paul Aquino, the President's brother-in-law, said.

However, the Senate landslide was achieved after the cleanest elections in memory according to most reasonable accounts, although ballot box snatching, vote buying and intimidation by both sides did take place especially in the race for the lower House of Representatives.

People, however, simply do not believe opposition claims that administration candidates were involved in systematic cheating, especially as the claims have so far been backed by no evidence of a conspiracy. However, the Supreme Court has agreed to investigate opposition claims of widespread fraud and has told the Commission on Elections and the 24 administration candidates to respond by Monday next week.

Mrs Aquino also appears to have won about 70 per cent of the 200 elected seats in the House of Representatives, according to an unofficial but reliable tally produced by the independent National Movement for Free Elections. A constitutional provision allows Mrs Aquino to choose 25 more lower house members to represent labour, peasants, youth and cultural minorities.

The official count is still only 26 per cent completed because of administrative hitches and problems transporting election returns from over 100,000 voting precincts to Manila.

Mrs Aquino has used her popularity to ask the electorate to vote only for her candidates, a plea which they apparently heeded. The elections locked the hard left out of the political process. The government claims the leftist state had links with the communist insurgents. It is ahead in only one of the 200 elected House seats.

Largely excluded also is the right wing opposition that has strong support in the rebellious and discontented military. Soldiers voted heavily in favour of former defence minister, Mr Juan Ponce Enrile, the sacked former defence minister, who leads the opposition and was linked to an alleged coup plot last November.

An Aquino-dominated Senate will not make legislating an easy task. The coalition formed for the election campaign is already splitting up along old party lines.

Politicians say this will greatly hinder Mrs Aquino's ability to control her congressional majority as it leaves her without a party or party whips to impose discipline. Mrs Aquino is also constitutionally limited to only one six-year term as President ending in 1992, weakening her control further.

The Senate will be ideologically varied. A strong nationalist group in the Senate could block a treaty renewing the agreement for the US to operate its two important military bases beyond 1991 when the current agreement expires.

The Senate, on its own, must approve treaties by a two-thirds majority. At least nine senators-elect oppose the extension of the bases and could form a blocking vote although the renewal could then be put to a nationwide referendum. Mrs Aquino has not publicly committed herself for or against renewal of the bases agreement.

When the two houses sit in July there will be many new faces. A little less than half the senators have not held any public office before. In some cases the senators elected never before showed any political ambition.

Mrs Aquino persuaded them to accept nomination as thanks for support they had given in the past or to represent a sector, such as the Moslems, a region the labour sector. Business is, however, poorly represented.

The lower house is more of an unknown quantity. Its main role other than approving Senate-initiated bills, apart from treaties, is to initiate spending bills. The radical left, which is pushing for land reform, has already denounced it as dominated by the old landed interests who do not have the interests of the rural poor at heart.

# Botha offers S Africans more of the same

By Anthony Robinson in Cape Town

PRESIDENT P. W. BOTHA yesterday offered South Africans an unchanged mixture of repression and cautious socio-economic reform when he opened the new session of the tri-cameral parliament.

In a speech devoid of policy initiatives he said that the white electorate had "confirmed the Government's point of departure that security, order and stability are preconditions for reform." It had also endorsed its neo-apartheid, ethnic "group approach" to future constitutional change, he added.

The absence of new ideas was confirmed by Mr Stoffel van der Merwe, the deputy minister for information. He told foreign correspondents "now is not the time for dramatic new initiatives" and added "there is no agenda for reform."

He explained that the Government considers that it had already dealt with those reforms which could be dealt with unilaterally, such as repeal of influx control and the mixed marriages laws. Future changes, including modifications to the Group Areas Act, would only be dealt with as "part of a package deal in negotiations for a new constitutional dispensation."

The state president, who is also leader of the National Party which was returned to power with 123 out of 166 elected seats, said that in future he would "be more directly involved in negotiations with black leaders." He made clear, however, that such negotiating depended on "leaders of relevant groups" and "parties genuinely believing in freedom and democracy" coming forward to participate in his proposed National Statutory Council.

In what appeared to be a veiled attack on the Kwa-Natal "Indaba" he added that those involved in negotiations "will have to guard against unnecessary controversies about concepts, blueprints, "visions" or final solutions."

Mr Botha gave no indication of how, when or why he expected "moderate" black leaders to come into the national council which has been rejected out of hand by Zulu Chief Gatsha Buthelezi and leaders of most black business, religious and community organisations.

● Mr Ray Killen, the South African ambassador, was yesterday summoned to the Foreign Office to be told of the British Government's anger over the impending expulsion from the Republic of two television journalists, Mr Michael Buerk of the BBC and Mr Peter Sharp of ITN.

# Mahathir fires rebel ministers

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, yesterday replaced all the ministers who voted against him in the recent party elections with others personally loyal to him.

The 61-year-old Dr Mahathir emerges as unchallenged leader in the Government. By taking an uncompromising stand, he has told his opponents that those who opposed him cannot expect to be retained. His next move is likely to be a purge of dissidents at the state level.

Dr Mahathir retained the crucial Home Ministry, which looks after intelligence gathering and national security. He also took the Justice Ministry, another important portfolio, given the wide scope of some of the country's laws.

He reappointed 62-year-old Ghafar Baba as his deputy, a person who is not seen as a threat.

The five new ministers in the 24-member Cabinet are all known to be personally loyal to Dr Mahathir and all had campaigned hard for him in the party election of the United Malays National Organisation. They include Dato Mohamed Rahmat, dropped from the Cabinet three years ago, and now reappointed Information Minister.

The Foreign Minister is Abu Hassan Omar, formerly in charge of the federal territory. Mr Daim Zainuddin, whose business interest had been a subject of much controversy, remains as Finance Minister. He is a close confidante of Dr Mahathir.

The Prime Minister has said his priority is to revive the depressed economy and stimulate public confidence. He plans to go on an investment tour of Europe in July.

However, the recent Umno elections has unleashed a confrontational brand of politics, previously unknown in Malaysia, and observers feel this could create instability.

The Malaysian economy is emerging from three years of recession, but the recovery is weak, and a growth rate of only 1.5 per cent is expected


## Peres to vote with Likud

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Labour Alignment Party was expected last night to swallow its pride and vote with its coalition partner, the right wing Likud, on a series of no confidence motions brought against the bitterly divided Government by four left-wing parties.

The decision to side with the Likud against its own natural allies on the left, summed up the disarray within Labour, following last week's collapse of a sustained campaign by Mr Shimon Peres, the Foreign Minister, to force a dissolution of the 41-month-old Government over a proposed international peace conference.

Mr Peres returned to Israel yesterday from a four-day visit to the US where he discussed with Mr George Shultz, the US Secretary of State, the cul-de-sac into which the latest peace moves appear to have entered because of the impasse in Israel. He also met the Soviet Ambassador to Washington, apparently at the envoy's request.

On Sunday, in a keynote speech to a leading American Jewish organisation, Mr Shultz urged that the opportunity for bilateral, face-to-face negotiations with Jordan not be lost. He warned the American Israel Public Affairs Committee that "a lack of progress has its own dangers."

But despite the endorsement the Labour leader received from the Reagan Administration for his peace efforts, it was a much more sober figure who arrived back at Tel Aviv airport to the one who left on Thursday fired up by the blood and thunder confrontation with Likud.



SRI LANKANTASK FORCE IN TAMIL AREA

# Why the young men of Batticaloa live in fear

BY JOHN ELLIOTT IN BATTICALOA, EASTERN SRI LANKA

YOUNG MEN are scared to walk on the streets of the eastern Sri Lankan coastal city of Batticaloa. No one goes out after 6 pm or 7 pm for fear of being shot. But even during the day the young men are scared of being rounded up, tortured and killed.

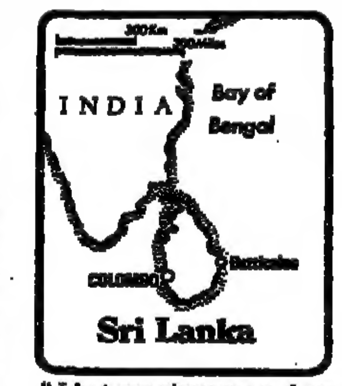
The people they fear are not the killers among extremist Tamil groups who are fighting for some form of an independent homeland inthe north and east of this beautiful but beleaguered island. Their worry is Sri Lanka's Special Task Force, a new anti-guerilla unit founded three years ago which rounds up hundreds of men aged 15 to 45 in sudden swoops and are said to shoot anyone who runs away and tortures many of those arrested.

Commanded by Mr Ravi Jayawardene, son of Mr Junius Jayawardene, the country's octogenarian president, Task Force personnel are trained by former members of the UK's Special Air Service (SAS) who now work for Keeny Meeny Services of the Channel Islands.

The local Citizen's Committee claims that 1,800 people have been killed by this force since 1984 in "clean-up operations," that another 650 have been taken into custody and their whereabouts are not known. Countless others have been mercilessly tortured.

"I was taken into a room where there were about 15 men. They tied my hands behind my back and then strung me up by my thumbs from a hook in the ceiling, then started beating me, laughing and singing," said a 23-year-old man last weekend who had just returned from being interned in one of the task force camps. He wished to remain anonymous for fear of reprisals. He has lash marks all over his back, open sores on his buttocks and bruised heels and feet.

He was explaining what the locals call "helicopter training" because the victim hangs from his thumbs horizontally, face down, and is spun in a circle while his back and feet are beaten with car fan belts, plastic pipes filled with sand, and wooden clubs.




"I lost consciousness and was splashed with water. I insisted I was not a terrorist and did not know any. So they brought in a man who had earlier identified me in a parade. They asked him why he had pointed me out. He said it was to avoid another beating himself—so they beat him again and later I heard he had died," said the young man.

This is happening while international attention is focused on Jaffna, in the north of Sri Lanka, where government forces are trying to defeat the Liberation Tigers of Tamil Eelam, the main extremists' group. Winning Jaffna would be the decisive victory in the four-year-old guerrilla war.

At the same time the Government is fighting to keep the extremists down in the eastern coastal areas of Trincomalee and Batticaloa, whose unspoilt silver beaches used to be popular tourist spots.

The Special Task Force was created, specially trained and sent to Batticaloa to prevent that area becoming an extremist stronghold like Jaffna where the army was defeated more than two years ago.

So the task force target is to curb the activities of the extremists whose main activity is killing security forces with landmines.

They also appear to be helping the government's policy of settling people of Sri Lanka's majority Sinhalese race in Tamil areas in order to change the racial mix. Batticaloa's existing mix is 73 per cent Tamil, 25 per cent Moslem and only 2 per cent Sinhalese.

Security forces are reported recently to have raided a Tamil village which would benefit from the island's giant Mahaweli hydro and irrigation scheme, killing 13 villagers and burning 21 huts.

Mr Lalith Athulathmudali, National Security Minister, dismisses most of the allegations as exaggerations and points out that the citizen's committee never dares to report alleged atrocities such as "lamp post killings" by the extremists.

But he says he recognises he cannot say all the allegations are false. "I don't disbelieve there must sometimes be some sort of beating. But why don't the people go to the police and complain of these alleged tortures and disappearances, then they can investigate." To suggestions that the people are terrified of reprisals by the security forces he said, "Then tell them to come to me personally in Colombo and I will investigate."



هكذا من الأصل

# WORLD TRADE NEWS

## Brussels train link boosts Channel tunnel

BY KEVIN BROWN, TRANSPORT CORRESPONDENT, IN LONDON

THE £4.7bn ($7.5bn) Anglo-French Channel tunnel project was given a major boost yesterday with the publication of the first detailed specifications for through-trains and agreement on a high-speed link to Brussels.

The announcements demonstrate the commitment of the British, French and Belgian rail authorities to the project, and will help to clear the way for a £750m share offer expected to be made in the autumn by Eurotunnel, the privately-owned tunnel consortium.

Agreement on the high-speed link to Brussels was announced by the British and Belgian transport ministers in Brussels, though French agreement will be necessary before construction work can begin.

France is expected to give approval, however, and to agree to the construction of a separate high-speed link to Paris once financing details have been agreed with the French rail authorities.

Construction of both links is regarded as crucial to the prospects of the tunnel, in order to make the railways competitive with air services.

The high-speed track would enable trains to travel at speeds of up to 300 kph (180 mph) bringing London within three hours of Paris and Brussels despite much lower speed restrictions on the British side of the tunnel.

Detailed specifications for the trains were sent to railway equipment manufacturers in all three countries yesterday, following prolonged negotiations between the rail authorities.

The companies are being encouraged to form competing international consortia along the lines of the four-nation Airbus Industrie consortium.

The nominated companies in the UK are British Rail Engineering, Brush Electrical Machines, GEC Transportation Projects, Leyland Bus, NEI Peebles, Metro-Cammell, and Walter Alexander.

In addition, the railway authorities have nominted Alsthom and De Dietrich of France, and Constructions Metalliques et Ferroviaires and ACEC of Belgium.

The basic requirement is for a fleet of 40 or more fixed formation trains with a power car at each end and 15 coaches, providing space for around 770 passengers with full restaurant and buffet facilities.

No costings have been published by the rail companies, but the contract is likely to be worth in excess of £400m.

The specifications laid down by the rail authorities present a number of technical problems, including the requirement to operate on three different power systems, and two different loading gauges.

In addition, the manufacturers will have to meet stringent safety specifications designed to minimise the possibility of a serious accident in the tunnel.

The publication of the list of nominated companies follows agreement between the railway authorities and Eurotunnel, the Anglo-French fixed-link consortium, on fees to be paid for use of the tunnel.

The European Investment Bank subsequently announced loans to Eurotunnel totalling £1bn, and agreement is expected shortly on a further £4bn of loans and standby credits.

The project was given a further fillip by the publication earlier this week of a broadly favourable report by a committee of the British House of Lords.

## Jamaica to drop customs inspection by SGS

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN Government will not be renewing a controversial contract with Société Générale de Surveillance, of Geneva, for the pre- and post-shipment inspection of goods when the current agreement expires next January, according to Mr Edward Seaga, the island's Prime Minister.

Mr Seaga's statement follows discussions here this year between Jamaican officials and Mr Clayton Yeutter, the US Trade Representative, who has been critical of the operations of SGS.

The company has been employed by several Caribbean and Latin American governments to inspect shipments, as part of an effort to reduce over- and under-invoicing, which lead to the evasion of customs duties and the illegal export of hard currency.

The company's operations have been criticised by traders in the region, and in the state of Florida. It was a petition to Mr Yeutter's office from four Florida trading agencies—claiming that SGS operations violated the principles of free trade, delayed shipments and inflated costs to importers and exporters—which led the US Trade Representative to discuss the issue with the governments that employ the company.

"While the surveillance operations of SGS generated sufficient savings to pay the cost of its contractual arrangements with the government, these savings were insufficient to warrant the renewal of the contract," Mr Seaga said.

Mr Yeutter had earlier said that his office's concern with SGS operations was "the fact that the firm was beginning to immerse itself in pricing decisions and affecting the price of products that were moving back and forth from the US. That is not the function of an entity like that. It should stay out of the business of determining prices."

The Jamaican business community had been unsuccessful in getting the island's government to terminate the contact with SGS, but it is not clear whether Mr Seaga's decision is linked to arguments given by Mr Yeutter during his visit.

## Philips and Chinese city to make disc players

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, is establishing a Fl 80m (£23.7m), 50-50 joint venture with the Chinese city of Shenzhen, a special economic zone, to make and sell compact-disc and video-disc players.

The venture, Shenzhen Shen Fei Laser Optical Systems, will produce players and discs primarily under the Philips brand name and for the domestic market, as well as, to a lesser extent, for export. The factory is to be completed by the end of this year and eventually will employ 500 workers.

Philips and Shenzhen are also seeeking to arrange a regular supply of audio and visual software, for education and entertainment, for the compact disc players and laservision video-disc players.

The agreement with Shenzhen Advanced Science and Technology, a company owned by the economic zone, was the second Chinese joint venture announced by Philips last week, during a visit to China by Mr Ruud Lubbers, the Dutch Prime Minister. Philips and the province of Jiangsu also signed contracts for a Fl 670m joint venture to make colour TV picture tubes, with the Dutch company taking a 30 per cent stake.

The Shenzhen joint venture grows out of earlier co-operation that began 2½ years ago with Philips supplying Fl 425m of Laservision players, equipment for assembling players in China, and discs. Shenzhen is a special economic zone, launched in 1979 to attract foreign investment for high-technology transfers and exports. It has recently failed to achieve goals and has incurred political criticism.



## EC dumping duties put on Brazil steel chemical

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday imposed provisional anti-dumping duties on Brazilian imports to the EC of a key chemical used in steel-making.

It is to charge provisional duties of Ecu 143 (£99) per tonne on Brazilian sales in the Community of ferro silico calcium, a product used to make steel less liable to rust.

This arises from complaints to the Commission by the two main EC producers, Pechiney Metallurgie of France and SKW Trostberg Aktiengesellschaft of West Germany, that their profits and ability to invest were being seriously damaged by unfair Brazilian prices.

Brazilian sales to the Community's market of about Ecu 24m for the product rose from almost nil to 1,490 tonnes in 1985, jumping further to 2,256 tonnes in the first nine months of last year. That represented a leap in market share from 6.4 per cent in 1985 to 15.1 per cent in 1986.

According to the Commission, Brazilian producers were selling ferro silico calcium in the EC at 16.5 per cent less than the price on their domestic market.

### John Elliott on India's efforts to acquire more powerful US computers

## Washington's distrust meets Delhi's pride

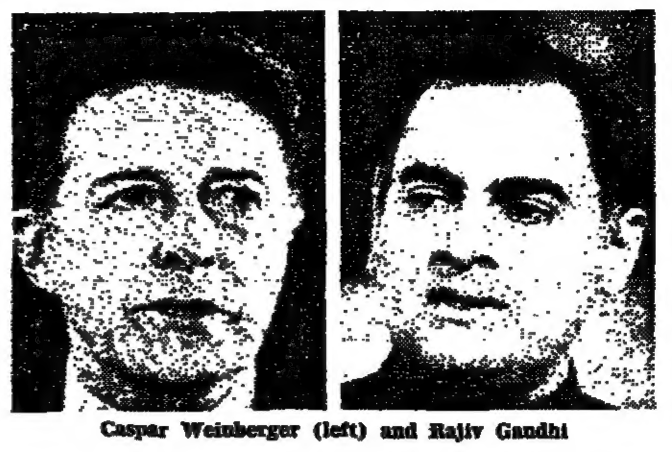
THE PLANNED purchase by India of a Cray super computer from the US for monsoon and other weather research has become a victim of Indo-US relations. It is now unlikely to go ahead for many months because of pride and distrust between them.

India is angry because the US is expected to go ahead soon with supplies of sophisticated defence equipment to Pakistan, India's neighbour, as part of a new five-year, $4bn aid package. An attempt by the US Congress to cut India's annual US aid from $50m to $35m is also aggravating relations.

India believes that its interests are not properly understood by the US, whose primary concern on the Indian sub-continent is to arm Pakistan as a buffer state against Soviet-occupied Afghanistan, despite widespread belief that Pakistan has, or is about to have, a nuclear bomb.

This Indian perception has affected its plans to purchase the advanced super-computer, which has become a national symbol of the country's ability both to obtain highly sensitive technology from the US and to handle such advanced electronics.

From a virtual non-existent base five years ago, computerisation in India is expanding rapidly. Finished machines are being imported from the US, Japan and elsewhere, along with technology for domestic production, which has grown by a total of 150 to 200 per cent during the past years to Rs 2.8bn ($215m) last year.



Caspar Weinberger (left) and Rajiv Gandhi

A new phase of technological co-operation between the US and India began with a successful visit to Washington by Mr Rajiv Gandhi, India's Prime Minister, in June 1985. This was taken further by a visit to Delhi last October by Mr Caspar Weinberger, US Defence Secretary.

A memorandum of understanding was negotiated to ease high technology exports. Some assurances were also given by India to answer basic US concern about sensitive technology being used for nuclear weapons development or leaked to the USSR, with which India has extensive commercial and technological links.

Despite continuing strong opposition from the Pentagon, the political momentum generated by the visits led the US to sanction the export of aircraft technology, including General Electric F404 engines for India's light combat fighter development project, the first of which were shipped several weeks ago.

More than 110 large mainframe computer systems have been cleared for export under the memorandum of understanding, despite some continuing bureaucratic delays.

Control Data Corporation of the US has started work on a contract to transfer technology to India for mainframe computer production in a public sector corporation, and other manufacturers are arranging private sector electronics links.

But India also wants 10 to 12 super computers over the next few years, of which they are seeking two or three by the end of next year. Early last year it signed a letter of intent with NEC of Japan for a super computer to go to the Indian Institute of Science in Bangalore, but that is held up under a US-Japanese agreement on such exports. There have also been talks with the Soviet Union about its super computer developments, although no Indian orders have been placed there.

It is US super-computers that India really wants, and its Department of Science and Technology first chose a CDC Cyber-205 for its monsoon and other advanced weather research. Super-computers are not covered by the memorandum of understanding so a special agreement on safeguards had to be negotiated.

This was concluded last December and ratified in Washington two months ago, on terms believed to be similar to those the US agreed with West Germany in 1985.

Without unduly disrupting India's perceptions of national sovereignty, the safeguards aim to stop the computer being used for nuclear weapons research and to stop technological secrets leaking.

For example, US security officials will not be formally stationed in India to monitor the computer's work and India will be in charge of the security. But technicians from the US supplier will be present to service the machine, which will be conveniently located in Delhi.

By last December, India had switched from the CDC Cyber-205 and had issued a letter of intent for a Cray X-MP24, which the US refused to approve, saying it was more powerful than India needed for weather work.

Instead, a US export licence was issued for the less powerful X-MP14, which would generally satisfy top Indian scientists and computer experts, although it has only one processor compared with two in the X-MP24.

But, at the end of March, the New York Times reported that India had only been granted a computer of "relatively limited power". Indian newspapers repeated this with headlines such as, "US to sell inferior super-computer to India".

This has made it virtually impossible for India to go ahead with the order, especially when relations with the US are becoming sour over Pakistan.

Now the issue rests in the office of Mr Gandhi, where it seems likely to stay until after the US has reviewed its global super-computer export policy in the autumn.

### FOCUS ON INTERNATIONALISATION OF JAPANESE MANAGEMENT

ADVERTISEMENT

***Built on the three pillars of fine chemicals, opto-electronics and electronics, Konishiroku Photo Industry Co., Ltd. has expanded rapidly its business activities to respond to the new era of visual information over the past five years.***

***The company was founded in 1873 and has played a leading role in the Japanese photographic industry ever since. Konishiroku's main products include photographic film, photographic paper, cameras, photofinishing systems, plain paper copiers (PPCs), computer peripherals, including printers, floppy disks and magnetic products, such as audio and video tapes.***

***A new plant in West Germany, and another in the USA will broaden the company's international production capacity, consolidating Konishiroku's position as one of the biggest overseas employers of any Japanese company.***

***The successful launch of the company's full colour photocopier is indicative of the 'hybrid' approach to R & D that the company has successfully adopted. This is to be followed shortly by a new high speed film, the SRV3200. Work underway on a still video system will help propel earnings in the future.***

***I spoke with Konishiroku President Megumi Ide to get a better understanding of the group's expanding operations.***

*By Brian Robins*

*Mr. Megumi Ide, President, Konishiroku Photo Ind. Co., Ltd.*

## Technical Dominance Central to Existing Strengths

### *Overseas production on the increase*

***Robins:** With the yen now well and truly above the ¥150 level, what are the main countermeasures Konishiroku has adopted to offset the impact of the yen?*

**Ide:** To be frank we are extremely troubled by the very sudden rise of the yen. We have been carrying out various measures in each region to reduce costs and raise the prices of our products, but still we cannot cope with the rapid appreciation. Therefore, as one of the countermeasures we will be increasingly producing overseas. However, with the measures we have carried out—reducing costs and increasing prices—we still cannot keep up with the revaluation of the yen.

As a result, we are placing our greatest effort on the development of new products. For example full colour copiers, 'Konica Color 7', negative colour film and SRV3200 super sensitive film. So to give my frank opinion, no matter how much effort we put into conventional products we cannot overcome the impact of the yen. Developing totally new products will give us added value, which is the only way out.

***Robins:** Konishiroku is unusual among Japanese companies since its overseas operations are already extensive. What is the main reason for the overseas production units—to be closer to final markets, or to cut production costs?*

**Ide:** The major objective of local production is to be close to the consumer. So far, we have been carrying out what we call cost-siting—that is the siting of plants depending on costs so we can achieve the lowest production costs.

Until now the optimum location has been Japan. But with the changing times and the changing international situation our basic policy has also changed so that now we intend to focus more closely on our customers, the end users of our products. In other words, to site our plants where we have the greatest number of end users. I believe the appreciation of the yen will accelerate that trend.

***Robins:** Does that mean the bulk of your production will be located in Europe and the US?*

**Ide:** That is a possibility in the long term. Besides Japan, our three main markets are Southeast Asia, Europe and the US. Therefore, if we are truly to carry out our policy of placing plants near to our customers, we have to rapidly establish production in all of those areas.

We will be doing it steadily but gradually for two reasons. Firstly, to invest efficiently in new plants we would need tremendous sums of money. Secondly, concerning the distribution of our technical abilities, as our operations require a tremendously high level of technology to increase overseas production and to obtain a quality product and low costs, we would have to send many excellent engineers overseas, at least for the initial stages. We do not have an infinite supply of such engineers. So, for these reasons, although we do intend to boost local production, we have to proceed slowly.

### *R & D spending at the heart of future advances*

***Robins:** You have undertaken a sizeable increase in R & D spending in recent years. What is the main focus of attention?*

**Ide:** In terms of spending, our R & D budget is about 6 per cent of sales revenue. Our total sales are approx. ¥300 billion, and R & D is ¥19 billion a year. R & D is mainly in the field of photography.

With this at the core we are involved in various aspects of imaging and information, and we want to provide various opportunities for our users. As well, we are constantly seeking to improve our established products and technologies, for example with the new negative colour film, ISO3200. The 'Konica Color 7' full colour copier is an example of a promising product in a new field we are now involved in. Also, we have just launched the ADFDD (advanced floppy disc drive) which is a 5.25 inch, 10 megabyte capacity disc drive system.

At the same time we have a very promising item in the still video camera, which is under development at present. The still video systems on the market from other manufacturers are for professional users. Ours will be for professional and also customer users.

One very important item is the aspherical plastic lens system, the components of which we will eventually be producing overseas—not just the lens but the unit system—to give added value to the aspherical plastic lens system. This aspherical lens is used for compact discs and many other products. We hold the largest market share in this area.

***Robins:** What are the prospects for the new film, SRV3200?*

**Ide:** It will not be used by the general public to any great extent, but I think it will be welcomed by researchers and photographers and other professional users. From the research area, there are very many requests for information. This film will have particular applicability in the area of astronomy and we feel it will have a very strong impact on the market. The research and development of SRV3200 is already completed and we are now moving into production. It will be on the market over the next few months.

***Robins:** Konishiroku is soon to begin production in West Germany. How extensive are your manufacturing and sales activities in Europe, and do these subsidiaries operate independently?*

**Ide:** Presently, they all operate independently. We have about 10 sales and production companies in Europe which are independent, but eventually we would like them to work together, in a concept. The reason we want to integrate their operations in the future, is that their operations are very important, and if they are operating in the EC then they should have a united organisation.

***Robins:** What about the US?*

**Ide:** The US is a very important country if we are to follow our policy of being close to our customers.

With that background we have already acquired land in Greensboro, North Carolina to establish a colour paper factory. We are scheduled to begin production in two years. The investment in this plant will be $120 million and it will require about 300 employees.

In the US we presently have over 10,000 employees and more than 2,000 in Europe. Including all subsidiaries in Japan, our employees total less than 10,000. So, we have more employees overseas than in Japan.

### *Hybrid product development strategy*

***Robins:** There are technologically three main components to Konishiroku's operations. Are you seeking a fourth arm from your present R & D work?*

**Ide:** I don't believe we need a fourth pillar. What is impressive is the combination of these three high technology areas of fine chemicals, opto-electronics and electronics. These three areas are sufficient.

For example, the full colour copier, the 'Konica Color 7' is a hybrid of these technologies. We have accumulated formidable technical abilities in these three areas. Of course there are many companies that are excellent in one of these areas, but it is rare for one company to excell in all three. By the combination of these technologies we may be able to develop a totally new product and generate a completely new market.

For these reasons we may be far ahead of other companies before they can produce rival products. Therefore the business represented by the 'Konica Color 7' copier, for example, is very important for us. This strategy is a hybrid strategy and at the same time, one of further expanding and existing technologies we have.

What I believe is important is how we can fully integrate and utilise our existing strengths.

### *Still video camera's promising future*

Another important strategy in our technical development is to aggressively enter fields which may have an effect on our existing technologies.

The still video camera system is one example of that. We don't know which direction this system will take in the future, however it is very different to the conventional system of film and camera. If this technology develops very quickly it could pose a threat to our photographic business.

***Robins:** How successful has the 'Konica Color 7' copier been since its launch?*

**Ide:** We started domestic sale in Japan in the summer of 1986, and we have a plan to sell 30,000 units worldwide within three years from the launch. At the present time we are proceeding smoothly, in line with that plan.

At the first stage we began selling in Japan and then overseas in the colour copier market. At second stage we are thinking of some extensions to its potential market in the design field, for example, which will broaden its potential market. In the third stage, we will enter the consumer photography field. For example, in the conventional system of developing colour prints we have to look at negative colour film and try to decide what should be printed, but now we can use the colour print to decide what to print. And also we will be able to decide to print from the reversal of the colour print.

In line with these different product development stages we are progressing according to our original sales target.

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# UK NEWS

FLAT MANUFACTURING FIGURES DISAPPOINT GOVERNMENT

## Strong pound ends output growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturing output was flat in the first quarter of this year, disappointing the Government's hopes of a further surge in production after the strong performance at the end of last year.

Manufacturing industry is now producing around 10 per cent more than at the time of the last election in 1983, but its output is still 3 per cent below that in 1979 when the Conservatives were first elected.

The Central Statistical Office said yesterday that its index of manufacturing output showed a fractional fall of 0.1 per cent in the three months to March, compared with the last three months of 1986. It was none the less 4.3 per cent higher than a year earlier.

The latest figures are likely to reinforce the Treasury's determination to prevent a further rise in the value of the pound. The slowdown in output growth suggests that sterling's rise so far this year is eroding the competitive gains resulting from the sharp depreciation in 1986.

That depreciation, which boosted industry's export prospects and gave it a competitive advantage in the domestic market, has been the main factor behind the upturn in economic growth since mid-1986.

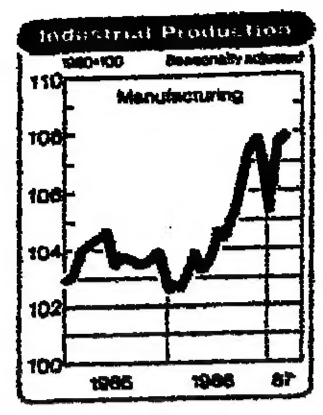
Last week the Bank of England indicated in its Quarterly Bulletin that it was anxious that industrial confidence should not now be dented again by a sharp rise in the pound's value. Its calculations suggest that around half of last year's competitive gains have already been lost.

Mr Ian Harwood, chief economist at Warburg Securities, said yesterday that the latest figures suggested that the lags between movements in the exchange rate and changes in export performance were much shorter than generally assumed. Unless sterling's recent gains were reversed, the first three months of the year were likely to prove a peak in terms of annual growth in output, he said.

Mr Andrew Smith, of Alexanders, Laing & Cruickshank, said that output had also been hit by the slowdown in world growth, and that any further strengthening of sterling would be a cause for serious concern.

There was more encouraging news for the Government, however, in figures released by the Department of Employment which show that units costs in manufacturing industry rose by only 0.4 per cent in the year to March. That reflects a sharp upturn in productivity associated with the rise in output since the beginning of 1986.

The official figures for overall industrial production show output 1.4 per cent higher in the latest three months compared with the last quarter of 1986, largely reflecting a




rebound in North Sea oil production.

The index of manufacturing output stood at 107.9 (1980 = 100) in March compared to 107.8 in February. For the production industries the index was at 113.1 (1980 = 100) in the latest month against 112.8 in February.

## Subdued borrowing fuels tax cut hopes

BY JANET BUSH

GOVERNMENT borrowing remains fairly subdued but spending is growing rapidly, according to the first figures on public borrowing in the new fiscal year released yesterday.

The Treasury said the Public Sector Borrowing Requirement was £1.77bn in April. This compares with £3.3bn in March, the last month of the 1986-87 fiscal year, and £897m in April last year.

April's PSBR was lower than most market expectations and UK Government bond prices rose modestly on the news. Even this early in the fiscal year, there is some confidence that the Government, if re-elected, will be able to fulfil its manifesto pledge of a cut in the basic rate of income tax from 27p to 25p in its next budget.

Even although spending is growing rapidly and could overshoot the Government's planning totals, the Government's budget forecast for tax receipts is thought to err on the side of cautions. In the oil sector, the Government's forecast for tax revenues is based on a $15 per barrel price, whereas oil prices have now been trading above $18 per barrel for some time.

After a volatile few months, the volume of retail sales jumped sharply in April and is expected to remain buoyant as the tax cuts announced in the budget coupled with lower borrowing costs and mortgage rates boost disposable income. This should ensure healthy receipts of Value Added Tax.

The substantial undershoot of last year's PSBR was also due to very strong corporation tax receipts and further rises in company profits should ensure that this trend continues.

A comparison of last month's borrowing with April last year has to take into account privatisation proceeds. In April last year, the Government received £1.1bn from the last call on British Telecom shares whereas this year privatisation receipts in the month were only £200m.

Yesterday's figures for April show that local authorities are continuing to repay debt and are borrowing more directly from central government, putting their finances on a sounder basis. The local authority borrowing requirement was £402m last month compared with £912m in March and £891m in April 1986.

Inland Revenue receipts rose to £4.8bn in April compared with £4.4bn in March and Customs and Excise receipts jumped to £3.7bn from £3.1bn.

Supply spending was 9 per cent higher in April than in the comparable month last year.

## W. German VAT 'more simple for businesses'

By Charles Batchelor

DEALING with Value Added Tax (VAT) creates more problems for the owners of small businesses in Britain than it does for their counterparts in West Germany, according to a study to be published soon.

Fifty per cent of British small businessmen thought VAT an unreasonably complicated tax compared with 19 per cent of businessmen in Germany, while three times as many British as German respondents thought VAT created more work than operating pay-as-you-earn.

This is despite the fact that fewer British small companies are caught in the VAT net. The minimum turnover level at which businesses become liable for VAT is £21,300 in Britain compared with DM 20,000 (£6,690) in Germany.

These findings are included in a survey carried out by Graham Bannock & Partners, a consultancy, for the Anglo-German Foundation which is funded by the two governments to promote studies of mutual interest.

"We expect to recommend that if the European Community ever does harmonise its VAT legislation it would be better for it to be closer to the German system than the British," Mr Bannock said.

The reasons for smoother functioning of the German system include the fact that there are fewer exemptions in Germany, which makes calculating VAT simpler for the small retailer. German small businesses are required to provide less information to the taxman and in companies with turnover of less than DM 250,000 (£83,600) pay a simple percentage in VAT instead of calculating the VAT payment on each transaction.

German small companies with turnover of between DM 20,000 and DM 60,000 are allowed to retain a percentage of the VAT they collect as compensation for the cost and effort involved.

German businessmen are also required to deal only with one tax office while their British counterparts deal with both the Inland Revenue and Customs and Excise. Customs officials are less familiar with the way businesses operate, Mr Bannock said.

But if the VAT system is at fault, British small businessmen are also criticised for failing to use computers to simplify their accounting and tax procedures. More German businessmen use a computer at some stage in the VAT process, the study found.

The greater incidence of problems in the UK was partly explained by the fact that Germany introduced VAT five years before the UK, and before then German businessmen were used to dealing with the complexities of another tax on turnover.

Purchase tax, which previously applied in Britain, had only been collected from manufacturers and importers, unlike VAT which involved 1.5m smaller firms and retailers in collecting tax for the first time.

## UK NEWS

# US group funds Cadbury stake with bond issue

BY NIKKI TAIT AND CLAIRE PEARSON

GENERAL CINEMA (GC), the US theatre chain and soft drinks bottler, intends to issue a £100m debenture stock convertible into shares in Cadbury Schweppes, the British food and drinks group in which it declared an 8.3 per cent interest last January.

GC said that the issue was "a financial decision," intended to fund repayment of a sterling-denominated bank loans which it used when buying the Cadbury stake. The cost of building up that stake was £91.7m, though it is currently valued at £120m.

"We saw an opportunity to refinance the borrowings incurred in buying the Cadbury shares," the company said. "This does not change our stated intentions towards Cadbury – which are that we may add to our investment position from time to time."

GC said that, since notifying its stake, it had received permission from the US authorities to purchase up to 25 per cent of Cadbury shares.

Under the terms of the issue, the debentures will be exchangeable at a rate of 333 shares for each £1,000 of stock – representing an exchange price of 300p a share. However, GC reserves the right to offer cash equivalent to the value of the shares should any debenture holder wish to convert. If maximum conversion did take place, 33.3m Cadbury shares would be involved, or 6 per cent of its equity.

Yesterday, GC refused to comment on whether future conversion by debenture holders would be met in cash or shares, saying that this would depend on conditions at the time.

Most analysts saw the move as strengthening GC's interest in Cadbury – and said that it dispelled thoughts that GC might be warehousing the stake for someone else. Although the choice of meeting conversion in cash or shares rests with GC, the US company is required to retain the 33.3m shares involved – 70 per cent of its total stake – while conversion options are outstanding.

# Mitchell Cotts says no to bid by Suter

By Clay Harris

SUTER, the acquisitive British industrial holding group, yesterday launched a takeover bid for Mitchell Cotts which values the engineering, chemicals and trading company at £74.1m.

Mitchell Cotts last night rejected the offer as "not unexpected and not welcome" and criticised both the value of Suter's share offer and the absence of a cash alternative.

Suter and Robert Fleming, its merchant bank, together hold or have agreed to buy a total of 12.31 per cent of Mitchell Cotts shares. Rushlake Holdings, a private company, said last night that it had rejected a secret cash offer from Suter for its 17.4 per cent stake.

Mr David Abell, chairman and chief executive, said that Suter would bring better management and greater financial resources to Mitchell Cotts's core businesses after rationalisation which had already been planned by the target company's board.

Suter is especially interested in the engineering and distribution operations, according to Mr Abell, architect of its six-year growth in stock-market value from £5m to nearly £220m.

# Labour mobility 'not complete answer to north-south divide'

BY PHILIP BASSETT, LABOUR EDITOR

LABOUR MOBILITY can go only part of the way towards bridging the so-called north-south divide in Britain – the gap identified between the prosperous south and the economically hard-pressed north, according to a report today.

The report, which has been prepared for an Institute of Economic Affairs conference today on the north-south divide, runs counter to the Government's emphasis on the need to increase labour mobility as a means of reducing employment.

While labour mobility had in aggregate made a substantial contribution to reducing unemployment in certain labour markets it had also increased the labour supply in others and thus made a contribution towards unemployment there, it said.

There was a limit to the pace at which the migration of workers could improve geographic disparities in economic performance.

The report was prepared by Professor John Goddard, director of Newcastle University's centre for urban and regional development, and Mr Mike Coombes, the centre's research associate.

It broadly accepts that there is a north-south divide in Britain and lists a number of areas as "job generation hon ey pots," most of them in the south.

A further 23 places are identified as "dis aster areas" in terms of jobs – chiefly in the north, Scotland and the Midlands.

Potential job migrants needed information about employment opportunities far from their homes. This was difficult to obtain at a distance. There were then practical difficulties in finding a job long-distance. Even if they did, sharp geographic differences in house prices were a "tremendous obstacle."

The report said that "because of these hurdles it was not surprising to find the bulk of inter-regional migration that actually took place was composed of the employed rather than the unemployed, of the young and of the skilled."

# New attack on Barclays debit card

BY HUGO DIXON

BARCLAYS BANK'S new debit card, Connect, has run into further problems. The chairman of the National Consumer Council, Mr Michael Montague, has written to Sir Gordon Borrie, the director general of fair trading, urging him to investigate the bank for a possible abuse of its monopoly position in launching the card.

Connect is the first in a generation of plastic cards which is designed to pave the way for electronic cashless shopping and make cheques redundant.

The NCC move follows the refusal by major retailers to accept the card on the grounds that Barclays is planning to charge them too much and their threat to refer the bank to the Office of Fair Trading.

The OFT is also soon expected to ask the Monopolies and Mergers Commission to investigate the wider question of whether there is sufficient competition in the plastic card market.

Mr Montague is concerned that consumers will be landed with the extra cost if Barclays manages to persuade retailers to accept Connect.

# IBM launches 'more flexible' and cheaper mainframe computers

BY ALAN CANE

INTERNATIONAL Business Machines (IBM) yesterday announced new mainframe computers and computer software designed to counter criticisms that its existing ranges give customers too little flexibility and freedom of choice.

It also announced price cuts in the UK ranging from eight to 12 per cent on its top-end 3090 mainframe computer family which should bring UK prices into line with those elsewhere in the world.

The strength of the pound, coupled with regional factors, has meant that it had been possible to buy 3090 mainframes more cheaply outside the UK.

Yesterday's announcements include:

- A low end 3090 mainframe, the 120E selling for about £700,000, reducing the cost of entry to 3090 technology by 30-40 per cent.
- New and greatly improved price performance from IBM's medium-sized mainframe series, the 4381 family. Typically, the processing power of these machines has been raised by 30 per cent.
- The first products to operate under IBM's Systems Application Architecture (SAA) a set of rules and standard designed to ensure software compatibility between computers in IBM's major ranges.

IBM also said it was standardising a range of purchasing options, such as the opportunity to try hardware or software before buying.

Improved price performance has been made possible by extensive use of the latest computer technology, including memory chips which store 1m bits of information, and silicon chips densely packed with systems circuitry.

According to Mr David Dunsmoir, IBM's UK 3090 product marketing director, IBM can offer a complete range of compatible computers from its small departmental machines through the medium-scale 4381 line to the top-end 3090 family.

Processing power of the largest 3090 is more than ten times that of the smallest departmental computer.

Competitors to IBM such as National Advanced Systems and Amdahl, both of which sell machines built entirely by Japanese companies or from Japanese components, said yesterday that the IBM announcements were no surprise. There would be no difficulties in offering comparable machines at competitive prices, they said.

The new 3090/120E will be available in the UK in August this year; the new 4381 models in the first quarter of 1988.

# Bank warns property industry over financing

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE GOVERNOR of the Bank of England yesterday gave the property industry a thinly veiled warning that it should be careful about the way it was increasing its funding of new developments.

Mr Robin Leigh-Pemberton said the Bank "would maintain a careful watch" on the growth of bank lending to the industry. He expressed concern that property company balance sheets did not always reflect the totality of a company's financing.

He was drawing attention, in an address to the British Property Federation in London, to the sharp increase in bank lending to the industry. It has risen 70 per cent in two years and has gone up twice as fast as other types of bank lending.

He was also referring to the habit of non-recourse financing, where property companies borrow off-balance sheet with liability for the loan tied to a particular project, thus reducing the exposure of the company itself.

Bank of England figures show that bank advances to property companies had risen to £9.3bn by the end of last year from £3.5bn in 1982. But a recent study by Debenham Tewson and Chinnocks, chartered surveyors, showed that the deflated value of new advances in 1986 was 40 per cent of the 1973 peak, just before the property industry crash.

The banks have been filling a financing gap in the property development industry, in effect taking up the slack left by the reduced involvement of insurance companies and pension funds.

While Mr Leigh-Pemberton noted that the banking system is not over-exposed and the property industry is more robust than in the 1970s, he also sounded a note of caution about a possible downturn in the industry's fortunes, which is why the Bank is monitoring the situation.

No figures are available for the amount of off-balance sheet financing provided by the banks.

# UK NEWS – THE GENERAL ELECTION

## Tories aim for more tax cuts and 'sound finance'

BY IVOR OWEN

FURTHER cuts in taxation, coupled with the maintenance of "sound finance," will be in the forefront of the Government's programme if given a renewed mandate, Mrs Margaret Thatcher, the Prime Minister, promised yesterday when launching the Conservative Party's election manifesto.

Stressing that "power to the people" would be another theme, she said: "We intend to spread ownership of houses, shares and pensions even more widely than we have already done."

In contrast to her approach in earlier election campaigns, the Prime Minister invited leading members of the Cabinet to share the platform with her and, while they resembled penitent schoolboys awaiting a difficult interview with the head, she insisted: "We are a team."

Mrs Thatcher speedily dismissed a suggestion that the election could result in no single party having an overall majority, saying: "We do not expect to be in that position." She ruled out the formation of a coalition Government should such a situation materialise.

She insisted that in the event of there being a "hung Parliament" it would be for the party holding the largest number of seats in the Commons — and she had no doubt it would be the Conservatives — to submit its programme for consideration and for Parliament "to vote for or against it."

Mrs Thatcher showed some sensitivity in explaining away her earlier proclaimed ambition to serve not just three consecutive terms as Prime Minister but four, extending her occupancy of 10 Downing Street into the 1990s.

"I intend to do my level best to win a third term," she said. While expecting to be "very fit" towards the end of it, decisions about a fourth term would have to be taken "then, not now."

The Prime Minister denied being "satisfied or complacent" about unemployment still being in excess of 3m and underlined the "irrefutable" fact that 1m new jobs had been created since the 1983 election.

The Government's policies, which included securing a further reduction in inflation, were "right."

Mrs Thatcher said: "If we had not had the kind of policies which got industry competitive and in a very sound condition, unemployment would be infinitely worse."

Questioned about sterling's inclusion in the exchange rate mechanism of the European Monetary System, Mr Nigel Lawson, Chancellor of the Exchequer, reaffirmed that it was a matter of deciding "the right time to join."

He described the privatisation programme which had already covered a third of state-owned industry as "highly successful" and confirmed that the British Airports Authority was next in line.

Mr Lawson envisaged that the water companies, which were "very substantial indeed" and electricity supply would come next "and then we shall look at others on their merits."

Other points to emerge from the conference were:

- Manpower Services Commission. Composition to be changed to give employers a majority in recognition of their responsibility for training.
- Immigration. Legislation to close loopholes will prevent those who practice polygamy bringing more than one wife to the UK.
- Council house sales. Councils which obstruct "right to buy" will be penalised.

Ashley Ashwood

The Prime Minister and Norman Tebbit at yesterday's Tory manifesto launch

## 'Competitive currency' to play key role in Labour strategy

BY IVOR OWEN

A "competitive currency" will be a key element in expanding production and combating unemployment, Mr Neil Kinnock, the Labour leader, declared yesterday when launching his party's selection manifesto, "Britain will win."

He did not spell out the implications for sterling but it was made known later that a Labour Cabinet would have a "desired range" for the exchange rate in setting its economic policy objectives.

As is the case with the present Government this target range would not be publicly identified, and in all probability would only become clearly apparent if a decision were taken to include sterling in the exchange rate mechanism of the European Monetary System.

Mr Kinnock reaffirmed that bringing down unemployment would be the "highest priority" of a Labour government and that a reduction of one million would be achieved in the first two years of office.

Jobs that needed to be done — in construction, modernising and developing the transport system, improving the environment and in the service industries as well as manufacturing and social welfare — would put the unemployed back to work.

Mr Kinnock stressed that jobs that needed to be done would "not only to combat the crisis of unemployment now, but (were) jobs which, by their very creation, lay the basis for generating wealth and work in the future."

He highlighted the importance of the proposed capital repatriation scheme in ensuring that the required investment could be financed.

Two newly-created organisations, British Enterprise, which would back companies starting up, fresh innovation and practical ideas, and the British Industrial Investment Bank, which would lend funds to British industry for modern machinery, better training and research and development would have vital roles.

Mr Kinnock brushed aside a suggestion that a Labour government was unlikely to prove any more successful than the Thatcher administration which had "struggled" with unemployment by retorting that it had only "juggled" with the figures.

He claimed that Labour's current programme was more realistic than in 1983 when the aim had been to reduce unemployment to one million because it took account of the deterioration which had taken place in the interval and recognised the need to be "more modest in our aspirations and more specific in our costings."

Mr Kinnock refused to be dismayed by the size of the lead consistently accorded the Conservatives in recent opinion polls and claimed that Labour's private polls confirmed that the party had recently improved its position — "everything is coming up roses."

## Tories 'living in a time warp'

BY DAVID BRINDLE

MR NEIL KINNOCK, the Labour leader, last night sought to lift his campaign above the arguments between socialism and Conservatives and appealed to voters to demonstrate a simple morality and compassion.

In a fierce attack on the purported Victorian values espoused by the Tories, he said that while Mrs Thatcher urged people to "look after their own," Labour expected people to "look after their own country."

Referring to the comment by Mr Norman Tebbit, the Conservative Party chairman, that he hoped the Prime Minister would emulate Queen Victoria by prolonging her term of office, Mr Kinnock said: "It's banal. It's bizarre. These are people living in a time warp."

The Labour leader, addressing a rally of supporters in Birmingham, contrasted his party's manifesto with Tory policies "exhumed from the grave where progress buried them 50 years ago."

Mr Kinnock said that when the Conservatives talked of looking after your own, they meant only your own family. Yet years ago—"long before there was anything called socialism, or Toryism or the welfare state or capitalism"—it had been accepted that it meant looking after your own community.

This was, he went on, a conviction that said "in as much as ye do it unto the least of these my brethren, ye do it unto me."

The Tory way, he said, led to beggars in the street and young boys on the run in the city, to people sleeping rough and people dying for lack of warmth in their own homes, to crowded prisons breeding crime and to drug traffickers killing with narcotics as Victorian gin shops had killed with their poisonous products.

In a reference to the Conservatives' manifesto proposal, he said it also led to forcing the young unemployed to accept compulsory training or suffer destitution.

Mr Kinnock said the Conservatives needed a Dickens to do justice to their Victorian policies. The author's cast would be perfectly completed, he said, by "Margaret Hilda Thatcher, the Miss Haversham of Dulwich, working until the millennium for the third term that never came."

## Chancellor vows to peg sterling

By Philip Stephens, Economics Correspondent

MR NIGEL LAWSON, the Chancellor, yesterday pledged that the Government would not allow a sharp rise in the exchange rate to wreck the present mood of business confidence in Britain.

Speaking at the annual dinner of the Confederation of British Industry, Mr Lawson stated in unequivocal terms that a re-elected Conservative government would seek to keep sterling around current levels.

Mr Lawson said industry could not expect the Government to bail it out through a sterling depreciation if costs rose too quickly. "Equally, do not worry that I shall impose an unnecessary and undesirable squeeze on you either, whether through the exchange rate or in any other way."

In an upbeat assessment of Britain's economic performance and prospects, Mr Lawson predicted a continuation of the success which until the 1980s had "eluded our country for a generation and more."

Steady growth in the economy in this year would be well balanced between consumption and investment, while inflation now looked set to stay lower than he had forecast in his March Budget.

At that time the Treasury forecast pointed to annual inflation peaking at slightly above 4½ per cent in the summer before falling back to 4 per cent at the end of the year. Yesterday, Mr Lawson said: "I no longer expect the peak to exceed 4½ per cent, while the rate at the end of the year is likely to be below 4 per cent."

The main risk to continued growth, the Chancellor added, now came not from within Britain but from uncertainties abroad, particularly those surrounding the value of the dollar.

## Ridley sets out to reduce role of local authorities in housing

BY PETER RIDDELL, POLITICAL EDITOR

"A MUCH GREATER element of choice" should be introduced throughout the rented sector, Mr Nicholas Ridley, the Environment Secretary, argued yesterday in a statement following the publication of the Conservative manifesto.

He set out details of measures intended to reduce the role of local authorities as builders and managers of housing and to revive the private, or "independent," rented sector (private landlords and housing associations).

The policy, developed by Mr Ridley and Mr John Patten, the Housing Minister, is based on the theme of "the right to rent." It reflects their view that "decades of neglect by some housing authorities and decades of rent restriction in the private sector have left an important task of supply and of repair which has to be tackled.

"Monopoly provision by local authorities has not succeeded. There have been serious problems of management. Local authority rent arrears now total over £200m."

Mr Ridley stated three main housing objectives: spreading home ownership as widely as possible by keeping tax relief on mortgage interest, by putting fresh life into the independent rented sector and by improving the management of rented housing in local authority hands.

In detail, the policy involves a restructuring of improvement grants to target them "more closely towardsthose who do not have the resources to keep up their property adequately." Mr Ridley admitted yesterday this amounted to a "means test" since the system should not apply to too wide a spectrum of people.

In relation to the rented sector Mr Ridley stressed that the changes would not apply to existing tenants "who will have their rights on rents and security of tenure fully protected."

The law on harassment would also be strengthened to make it easier to enforce. A new civil right for tenants would be considered to allow claims for compensation from their former landlords when there had been illegal eviction or forcing out by harassment. The courts would be given powers to relate compensation to the landlord's financial gain as a result of obtaining vacant possession.

There would be a four point programme, as detailed in the manifesto, involving:

A changed form of assured tenancy under which both landlord and tenant would be free to agree a rent. There would be provision for arbitration on renewal as already applies in the commercial sector.

A new form of shorthold for fixed term lettings for a minimum of perhaps six months with rents set at a level to give the landlord "a reasonable rate of return on his asset" as prescribed by the Department of the Environment.

Encouragement to the letting of unused space in homes by shortening the maximum period for the suspension of court orders for possession from the present three months.

Encouragement to the provision of rented housing by housing associations by restructuring the Exchequer grant system to take account of variations in income levels and housing costs in defining affordable rents.

In the local authority sector, Mr Ridley underlined the proposals for increasing rights for tenants to choose to transfer to other landlords and, in a significant new move, for changing the basis of council housing accounts.

There would be new "ring fenced" housing accounts so that councils would no longer be allowed to subsidise housing from the general rate fund. The grant system would be changed "to ensure that councils can keep their rents at moderate levels and can repair and maintain their housing stock without assistance from the ratepayer."

He also revealed that there would be "a ceiling on the maximum rent eligible for housing benefit to prevent private landlords pushing up rents to unreasonable levels at the expense of the taxpayer." The aim would be to achieve greater accuracy of targeting benefit to meet the new diversity of rent regimes.

## Viscount disrupts Kinnock

By David Brindle

THE SLICK Labour Party election machine was thrown badly off course for the first time yesterday and a Vickers Viscount airliner called Southampton was to blame.

Decked out for the occasion with Labour's red rose emblem, the venerable Viscount refused to perform for Mr Neil Kinnock, the party leader, who was left stranded at Heathrow Airport.

Mr Kinnock and an entourage of about 50 party officials and journalists were to have used the noble 25-year-old Viscount aircraft, to fly from London to Birmingham and Manchester on yesterday's leg of the campaign. The plan had been to have the leader pictured with the plane at each stop.

But whereas, as journalists were told, Viscount Southampton had successfully flown "Egyptian, Algerian, Mauritanian and Omani heads of state and Bob Hope," it developed a mechanical fault when called upon to fly a mere prime ministerial hopeful and spare-time comedian.

British Air Ferries, the airline from which the plane was chartered, rushed a replacement from its Southend base and apologetically plied the Kinnock party with champagne. But more than an hour was lost from the itinerary and a press conference for Midlands journalists had to be scrapped.

When the unnamed stand-in Viscount touched down at Birmingham International Airport, however, Labour had thoughtfully arranged for a jazz band, the Doctors of Jazz, to be on hand to strike up Happy Days Are Here Again.

The party leader swayed and sang along with When the Saints Go Marching In and, after a little prompting, grabbed the double bass and tentatively plucked a few chords.

## Owen warning over 'jobless decade'

BY TOM LYNCH

BRITAIN IS likely to face 10 more years of high unemployment, no matter which government is in power, Dr David Owen, the SDP leader, said yesterday.

At a press conference at Margate, flanked by Alliance candidates for eastern Kent and photographs of local factories closed since the advent of the Thatcher government, Dr Owen repeated the Alliance pledge to reduce the unemployment total by 1m in three years.

However, he said: "Taking the first million off is a great deal easier than taking the second million off.

"We will live through the next 10 years with levels of unemployment most of us would have thought inconceivable a few years ago." There was a hard core of 1.3m long-term unemployed, which would be "hard to crack for any government."

During a whistle-stop tour of Kent, Dr Owen returned repeatedly to the issue of unemployment, reassuring Alliance supporters that he was aware of serious pockets of unemployment in the south as well as in the north.

However, he advised campaign workers in Sittingbourne that the best way to sway faltering Tory voters was not to criticise every single government action over the last eight years — some Conservative policies, such as trade union reform, had been good for industry.

Later, at a rally in Cambridge, where Mrs Shirley Williams, the SDP president, is the Alliance candidate, Dr Owen launched a fierce attack on the Government's economic record.

"To talk of a post-industrial society based on a service economy is a cop-out," he said. A successful service sector was essential, but so was a strong manufacturing base.

The "windfall" of £70bn in asset sales and North Sea oil revenues during Mrs Thatcher's eight years in office had been fed into consumption

"This year, we face a balance of payments deficit on manufactured goods larger than at any time in the last 200 years. Quite an epitaph for the workshop of the world. And even worse, some of the conditions which brought that situation about still apply.

## Tory rule 'has cost nation dear'

By Fiona Thompson

THE NATION had paid an exorbitant price for the limite dbenefits which eight years of Conservativsm had brought, Alliance leaders said yesterday. Britain was divided and would remain so under continued Tory rule.

Mr David Steel, the Liberal leader, acknowledged that the Tories had made some progress—on curbing inflation and trade union power and by introducing an element of economic realism. But the price paid had been too high.

There were 2m fewer jobs in Britain than when the Conservatives came to power in 1979, 1.7m people were homeless or on housing waiting lists, 768,000 were waiting for a hospital bed, the number of people living at supplementary benefit level had doubled since 1979 to 12m and the number of victims of crime had risen by over 1m after eight years of "the party of law and order."

The widening divisions in society "shames us all and costs us dear in the ever-growing crime and violence on our streets."

Dr David Owen, the SDP leader, said it was impossible for the Tories to unite the country. "Too much of the Conservative attitude is to target on what they think of as their people—the "what's in it for me" factor.

"This is a recipe for divisiveness within a nation," he said. The Tories might make promises for the future, but it was their record over the last eight years that should be looked at.

Inner city decay, the cause of riots and unrest, could be resolved, but Dr Owen gave a warning that the country was heading for a major disaster unless more money was poured into the inner cities.

On the health service, he said the argument on spending was how much the Conservatives were taking account of "the necessity to run fast to stand still." Spending must rise by 2 per cent a year just to keep up with growing demand.

## Parties chase votes in Scotland

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

MR ROY HATTERSLEY, the deputy Labour leader, yesterday reasserted the party's commitment to Scottish devolution. Labour, he said, was the only party capable of commanding a majority in the House of Commons for a devolved Parliament.

Mr Hattersley was launching his party's Scottish manifesto in Glasgok. The manifesto, said Mr Donald Dewart, Labour's shadow Scottish Secretary, contained proposals for legislation which would be enacted by a Scottish assembly

The Alliance, in its Scottish manifesto presented in Glasgow, offers a Scottish Parliament elected by propotrional representation

Launching the Conservative Party's Scottish manifesto in Edinburgh, Mr Malcolm Rifkind, the Scottish Secretary, said a new Conservative government would make the A74, Scotland's main road link with the south, into a motorway.

**Ian Hamilton Fazey** assesses the main parties' prospects in the Tory-held marginals

## Battling mayor celebrates one Tory win and hopes for more

THE FORMIDABLE Mayor of Bury, Councillor Mrs Evelyn Waite, is in her 41st year of electoral campaigning, and is already flush with a Tory victory—her own.

It came on May 7 in the battle of Ramsbottom, a Lancashire town snuggling comfortably astride the River Irwell in the Pennine foothills.

Ramsbottom used to return three Conservative councillors to Bury Town Hall but Labour


had taken two of the seats in successive years. Could Mrs Waite hold on having twice conquerd of Mr Dale Campbell-Savours in electoral slugging matches for the council and forced him (he says) to emigrate to Cumbria?

The Alliance considered Ramsbottom promising territory and, like Labour, put up a good candidate. The fact that Mrs Waite was mayor heightened the propaganda stakes, and there was a 59.9 per cent turnout.

At the count she was tense with anxiety. "I wan't so much worried about losing as that I might burst into tears in public if I did," she says. But there were no Tory tears. She got 44 per cent of the vote, trouncing Labour on 33 per cent, with the Alliance on 23 per cent.

The Conservatives see the result as the turning point of a war. Labour only managed to take control of Bury council last year and was expecting to consolidate with more gains. Moreover, they hoped for a springboard to take the Tory-held marginals of Bury North and Bury South in June.

On May 7, Labour failed. The Tories held all 10 seats they were defending and Labour lost ground in some of its six. Mr Derek Boden, Labour candidate for Bury South, had his safe Besses ward majority cut from 1,016 to only 300 votes.

One of Mrs Waite's last duties as mayor this week is to move the writs for the general election in the two Burys, where Mr Alistair Burt is defending a majority of 2,792 in the North, compared with Mr David Sumberg's margin of 3,720 in the South.

On Monday, she was savouring the thought of doing so at the opening of a new wing of Bury's Florence Nightingale Hospital. She and her colleagues know that if Labour does not take these seats the party will be dead in the Irwell at least, if not in the country as a whole.

Mike Arron

Aiming to be on the right track—Alistair Burt in Bury North

Florence Nightingale Hospital treats the long-term chronically sick and can be regarded as one of the triumphs of the recent Thatcher years.

The new wing, which is for rehabilitation and treatment of patients affected by strokes, multiple sclerosis, and other neurological disorders, was paid for with £30,000 from savings.

Nearby, the new brickwork of E-ward tells a bigger story. New management techniques and savings enabled £400,000 to be found from current resources to build it.

Mr Philip Bacon, who maintains he is apolitical, is Bury Health Authority district general manager. His chairman is straight from the private sector, Mr Edmund Schofield, the recently retired managing director of Bury's Hall Brothers, whose main product, Hall's Mentholyptus lozenges, makes it the world's largest cough drop manufacturer.

The savings amounted to £500,000 a year and came from putting non-medical tasks, such as cleaning and laundry, out to tender, and introducing much tighter management.

Mr Bacon said this had enabled a 30 per cent increase in numbers of medical staff since 1981 and a 25 per cent decrease in waiting lists.

For the benefit of Bury's voters, many of the extra medics are to be housed in a new general hospital so that they can treat patients more quickly.

Mr Burt and Mr Sumberg have managed to persuade Mr Norman Fowler, the Health Secretary, that the town should suffer no more deferrals of this project.

There are three candidates, one for each party, in each of the two Burys. Mr Burt, who is parliamentary private secretary to Mr Kenneth Baker, the Education Secretary, was first out knocking on doors this week, a case, one witty observer thought, of the early Burt trying to catch the worms.

He wanted to begin before Mr David Crausby, his Labour opponent, but did so in Hawkshaw village, where his boss Mr Baker has just saved the local primary school from being closed down by the Labour-controlled Bury council.

Few people there seemed much likely to vote for Mr Crausby in a month of Sundays. The sub-postmaster, a jolly chap called Arnold, paused in dispensing Vimto ice lollies to the workmen digging a hole in the road outside and declared that Labour were finished in the village when Nelson Mandela went on the *Greater Manchester Council* Christmas card list.

Mr Burt, who is 32, canvasses with his wife Eve, six months pregnant, together with their daughter Hazel, aged 14 months. This is a new twist—carry your own baby to kiss in case there are no others around.

Doorstep issues were law and order, the poll tax proposal, and bus services. Mr Burt was reassuring. "Will I be all right this time?" he ventured everywhere, to universal assent.

Of the other candidates, Mr Crausby, Mr Boden and the two Alliance makeweights, Mr David Vassmer (North) and Mr Derek Eyre (South), were all still at the jobs which pay their wages. They all begin in earnest today as does Mr Sumberg who on Monday was still clearing out his desk at the House of Commons.

All acknowledge the two Burys as Con-Lab marginals. The Alliance has poor organisation and few workers. The Tories believe that Labour can only win if the Alliance poaches Tory votes. The evidence of May 7 is that it will probably not succeed.

Labour, however, believes that it suffered from poor turnout at the council elections,

**GENERAL AND COUNCIL ELECTION VOTES**

| Bury North | C | Lab | All |
|---|---|---|---|
| May 87 | 47.8 | 37.4 | 14.8 |
| June 83 | 45.5 | 40.2 | 14.4 |
| **Bury South** | | | |
| May 87 | 46.0 | 39.3 | 14.7 |
| June 83 | 44.0 | 36.5 | 19.5 |

that Tory voters were angry at rate increases and thus well motivated to go to the polls.

Both Mr Boden and Mr Crausby believe that the chance to get rid of Mrs Thatcher will be potent enough to maximise their vote. But can it possibly be enough for them to win?

General election, 1983: Bury North: A. Burt (C) 23,923; F. White (Lab) 21,131; E. Wilson (Lib/All) 7,550. C majority 2,792. Poll 79.6 per cent. Bury South: D. Sumberg (C) 21,718; D. Boden (Lab) 17,998; K. Evans (SDP/All) 9,628. C majority 3,720. Poll 76.1 per cent.

## Steel issues fresh writ

LAWYERS for Mr David Steel, the Liberal leader, who have already issued writs for libel aainst the Sun and the Star newspaper, decided to issue a similar writ against the News of the world and its proprietors, the News UK group.

## Nottingham party falls in line

NOTTINGHAM East Labour Party dropped its opposition to the national executive's decision to remove black activist Mrs Sharon Atkin as parliamentary candidate. Local councillor Mr Mohammed Aslam was officially adopted in her place.

# TECHNOLOGY

## The light fantastic's trip across the sea bed

**Terry Dodsworth, Industrial Editor, looks at the problems involved in laying underwater optical cables for telecommunications**

WHILE OPTICAL fibre cables are becoming ubiquitous in today's land-based telephone systems, they are only just beginning to make an impact on the international submarine telecommunications market.

It was only 12 months ago that the first significant undersea optical fibre link went into operation, between the UK and Belgium. Yet within a little over a year from now, the world should have its first transatlantic optical fibre system in place, and from then on there will be a flood of similar installations, stretching round the globe from the Pacific to the Mediterranean.

This spate of investment promises huge increases in the capacity of international telephone communications. Indeed, the first transatlantic optical fibre link will be able to carry 8,000 simultaneous conversations, exactly twice as many as the last of the coaxial copper cables between the US and Europe; and by sophisticated electronic management techniques, designed to make use of the lines in every pause in a conversation, this capacity can be augmented to 46,000 channels — a far cry from the 36 channels available on the first coaxial transatlantic cable in 1956.

Compared to land-based systems, it has taken longer to arrive at this investment phase because of the particular problems of reliability caused by a sea-bed environment. In round figures, says Mr John Tilly, marketing director of STC Submarine Systems, the economics of undersea cable communications mean that components have to be about ten times as reliable as on land. The system has to have a design life of 25 years of uninterrupted operation, in which it will need minimal maintenance and repair.

"If you have a failure underwater, a repair ship will cost you about £40,000 a day, and the total bill for putting things right might come to half a million pounds," says Mr Bob Williamson, manager of advanced engineering at the cable group. "If you then add the lost revenue for 8,000 customers at $1 a minutes, a breakdown becomes very expensive."

The problems of durability fall into two main areas.

**A bizarre threat emerged when sharks' teeth were found embedded in cables installed around the Canary Islands**

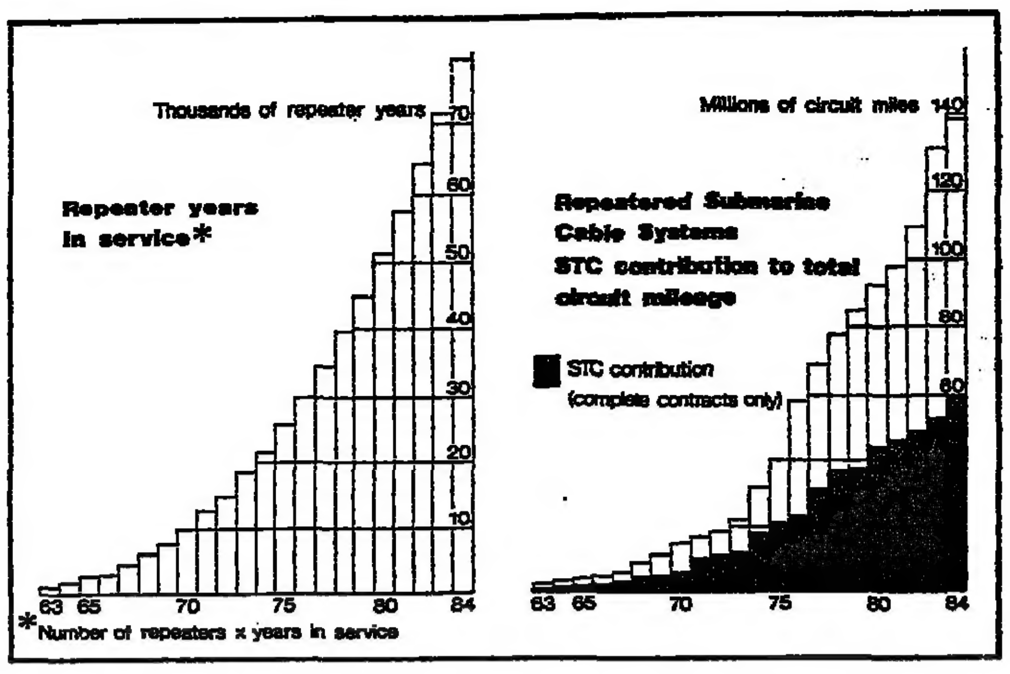
First, the cable itself has to be much stronger than on land. It has to be specially packaged and insulated to prevent leakage and corrosion, and it has to be able to withstand the tension caused in laying it and lifting it from the sea bed if repairs are necessary — to say nothing of the hazards of trawler lines and ships' anchors.

To meet these requirements, the tiny wisps of fibre that form the heart of the system are packed in a tough cladding of polyethylene, steel wires and polypropylene, strengthened with a layer of aluminium in shallow water like the North Sea, where the cables are more likely to be cut by passing ships. In some areas, cladding of this kind is even being used to protect against sharks, a particularly bizarre threat which emerged recently when several sharks' teeth were found embedded in cable installed around the Canary Islands.

Second is the question of ensuring the reliability of the equipment which maintains the quality of the signal travelling down the fibre optic line. This is a problem associated particularly with submarine cables, which, unlike many land-based systems, typically have to carry signals over extended distances between transmission stations.

In a densely populated area like Europe, for example, many calls are transmitted from exchanges which are no more than 20 miles apart, and which have equipment to boost and improve signals before passing them on. Conversations on the transatlantic line, on the other hand, have to emerge in an intelligible form at the end of a 3,000 mile journey which entails no switching at all.

The key to efficiency is to avoid "attenuation" of the signals—there is a natural tendency for the messages to become increasingly fuzzy and indistinct the further they travel. These messages are sent in a series of light rays, emitted by a laser gun which switches infra-red signals on and off like a supremely efficient torch. Because the light is sent out in a transparent tube-like fibre, it travels further, avoiding the sort of lateral dissipation which occurs when a torch is flashed in the dark.




Long-distance optical fibres achieve this channelling mechanism for the light by varying the composition of the material. The outside of the fibre is slightly less resistant than the interior, allowing the light rays to travel faster at the edges, and thus "bending" the signal into the centre, so that it travels straight and true down the core of the line.

Some dissipation in the quality of the signal, however, inevitably occurs because of impurities in the fibre which break up the light waves. In long-distance cables, this problem is tackled by "repeaters," instruments which are aimed at correcting and amplifying the messages they receive. Long, tube-like metallic objects, the repeaters take the signals coming in at one end, put them through a series of electronic devices which seek to take out distortion, and then re-transmit them in the improved form down the cable at the other end.

Repeaters are jammed full of electronics and integrated circuits, and are so expensive that cable companies are reluctant to say what they cost. But they can account for up to half of the price of installing an optical fibre cable, depending on how many are needed on the line.

Ensuring the reliability of the repeaters is probably the trickiest problem facing the cable companies. In the more leisurely days of coaxial copper cable, companies were operating in a less competitive environment controlled by regulated national telephone utilities. This was a world in which telephone companies could afford to move with great deliberation towards any new technology, testing it for many years before introduction — STC says, for example, that in the past it has had some components on test for up to 25 years.

In order to move to the introduction of the new technology at a much swifter pace than previously, manufacturing companies have had to find ways to speed up test procedures, typically using high-temperature techniques. As a result, the time lag between the first experimental submarine optical fibre cable, installed by STC in the sea water of Loch Fyne in Scotland, and the completion of the first significant operational link between the UK and Belgium last year, was only seven years.

Another line of attack on improving reliability lies in reducing the number of repeaters used undersea — a process which will also reduce the cost of repeaters from around 50 per cent of a submarine system today to 25 per cent in about five years' time.

Rapid improvements in laser transmission techniques and in the quality of optical fibre cables is already producing significant improvements on this score, pushing up the length of cable between repeaters from about 40 kilometres on the UK-Belgium link last year to about 70 kilometres on cables to be installed over the next two to three years. By comparison, the old coaxial cables had repeaters every six to 12 kilometres.

Longer term, researchers see further gains coming from new transmission techniques and different types of optical fibre.

On the transmission side, the technology is now virtually in place to increase the wavelength of the pulses of light, which currently conduct messages down the fibre, from 1.3 micrometres to 1.5 micrometres. This change to a longer wavelength will have the effect of reducing the degeneration of the signals which occurs when the light is scattered by particles in the fibre.

In commercial terms, it means that cables are already being planned with much longer unboosted lengths: the new line from the UK to Guernsey, for example, will have no repeaters at all over its 135 kilometres when it is installed in 1991.

More futuristically, scientists are working on new forms of fibre which will be even purer than the present silicon-based products. Theoretically, light will be able to skim down fibres of this sort with very little dissipation at all—possibly all the way across the Atlantic.

But that is some way off. For the moment, the world will be satisfied with a system which is promising a 100 per cent improvement in performance when the first transatlantic optical fibre cable comes on stream.

### US foam takes the opposite line

A NOVEL kind of foam material has been developed at the University of Iowa in the US. Most foam materials, when they are compressed, tend to bulge outwards at right angles to the direction of the compression. Conversely, when pulled, they pinch in the middle.

The Iowa materials, which consists of conventional foams that have undergone specific heat and pressure processes, do the opposite, that is, they get fatter in cross section when stretched and vice versa. The foams are also more resilient than conventional types in that they can be deformed to a larger extent. They are also said to be tougher and more tear resistant.

The materials, called re-entrant foams, are not just a novelty. Mr Roderick Lakes of the university's bio-medical engineering department envisages applications in the protection of the human body. For example, knee pads might be made of the foam, as might the linings of helmets.

Wherever a resilient material has to be pressed into a hole, clearly the material will go in without jamming and then exactly fill the space.

### Medical data from the surgery

A NEW company in the UK, AAH Meditel, is planning to supply two thousand general practitioners in Britain with a free IBM personal computer at a cost of about £15m. The machines will be programmed to allow the practice to be managed more easily, but also to allow certain data about drugs use to be collected. For a fee, AAH will supply this data to the pharmaceutical industry. The data collected will also be supplied to the Department of Health and Social Security.

There are some 9,600 practices in the UK and AAH Meditel is hoping to equip about 2,000 of them. The aim is to collect information about the ways drugs are prescribed and used, reported side effects and similar information which is otherwise very costly to obtain. Practices, doctors and patients will remain completely anonymous and the routines used will ensure that all the data remains confidential.

### Glass fibre armour can stop a bullet

GLASS FIBRE armour plating which will absorb the impact of various kinds of projectiles, including bullets and cross-bow bolts, has been developed by UK company Plastechnol of Farnborough, Hampshire.

Apart from its obvious military applications, the material can be used to protect staff in high security locations such as embassies and banks. Available in easily-cut 8 x 4 ft panels, Plastechnol Armour costs under £3 per kilogram and weighs between one and 4 kg per sq ft in thicknesses from 0.2 to 0.8 inches.



### Test-bed view of automation gains

IN THE UK, John Brown Automation is providing a realistic test bed for its factory automation customers in the form of a three-cell system on which they can assess automated storage and retrieval, flexible assembly and quality assurance testing.

To be installed at the company's Coventry plant, the three cells, which make use of four robot arms, can be used and controlled independently or can be integrated into a single system with a flow of parts from one end to the other.

The system has been developed in parallel with a new consultancy business that the company has started. The aim is to provide industry with an in-depth service so as to achieve better profitability through cost-effective automated manufacturing and assembly.

**WORTH WATCHING**

Edited by Geoffrey Charlish

### Dixons calls on warehouse robots

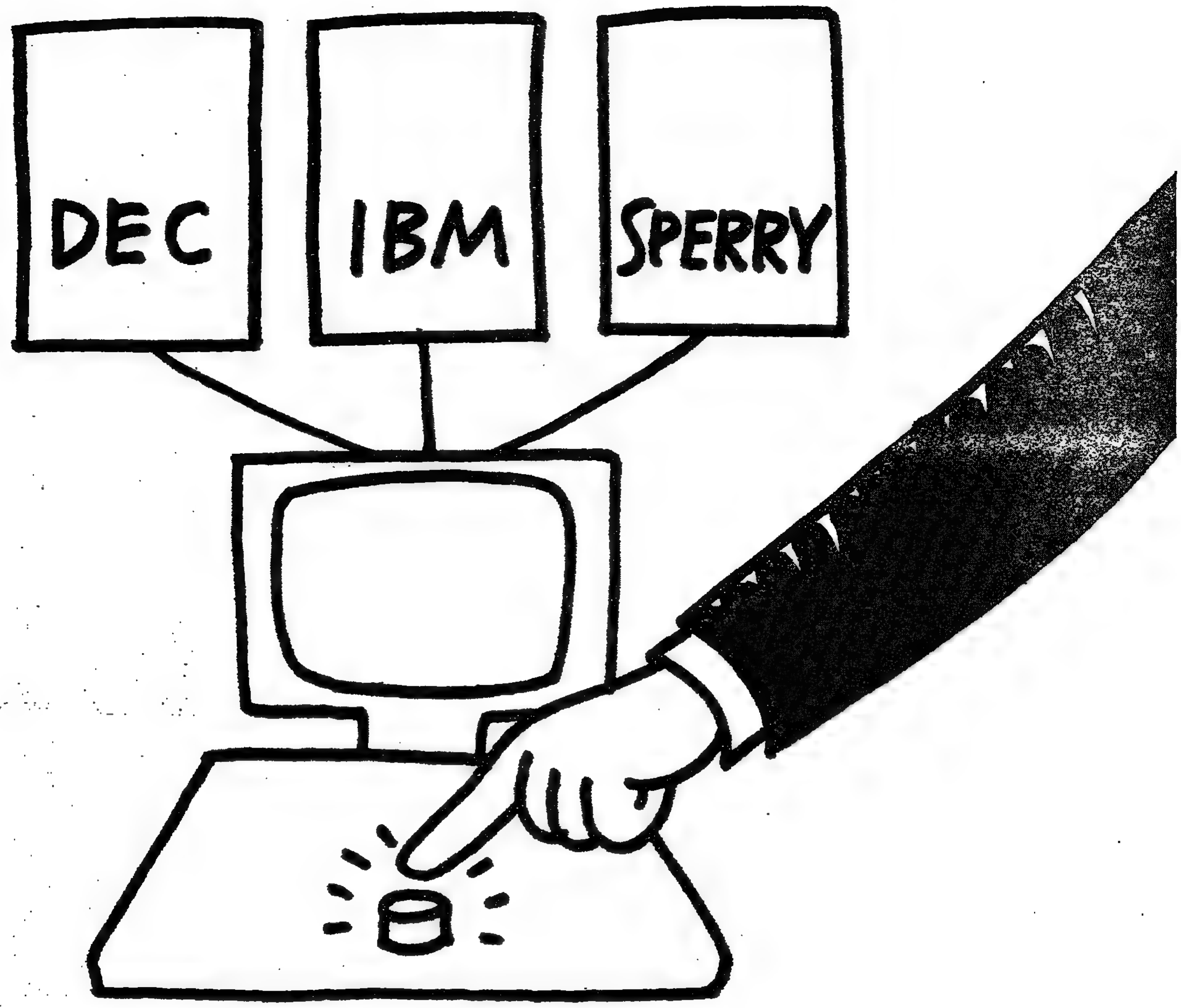
DIXONS, UK retailer of home entertainment goods, has spent £9m on an automation system at its Stevenage distribution centre. The company's warehousing and distribution system has to supply 300 retail outlets.

As the product focus began to move from watches and calculators to heavier items like television sets and recorders, Dixons decided to look at automated warehousing and now uses robot trucks and cranes at the distribution centre. The system has been designed by Topstore Warehouse Systems, which is based in Switzerland and undertakes complete automation projects, from computer software to stacker cranes.

Topstore has used Tandem fault-tolerant computers so that Dixons has continuous control of stock movement 365 days a year.

CONTACTS: Topstore Warehouse Systems: UK, 0734 884475. Plastechnol: UK, 0252 513001. John Brown Automation: UK, 0203 473748. University of Iowa: US, (319) 335 5639. AAH Meditel: UK, 021 525 5706.

# PUSH A BUTTON AND TALK TO ANY OF THEM.




"Openness" is a word you hear a lot in the computer field these days. It shows that we're in a buyer's market.

For us at Ericsson, a buyer's market is exactly what we want. It gives us great possibilities.

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# Thatcher's vision for Britain in the 1990s and beyond

**THE BRITISH REVIVAL**

This manifesto sets out our vision for the Britain of the 1990s and beyond, a future based on the aspirations of *millions of individuals and their families*—their hopes, their needs, their security. For the first time in a generation this country looks forward to an era of real prosperity and fulfilment.

A vast change separates the Britain of today from the Britain of the late 1970s. Is it really only such a short time ago that inflation rose to an annual rate of 27 per cent? That the leader of the Transport and General Workers' Union was widely seen as the most powerful man in the land? That a minority Labour Government, staggering from crisis to crisis on borrowed money, was nonetheless maintained in power by the Liberal Party in return for the paper concession of a Lib-Lab pact? And that Labour's much-vaunted pay pact with the unions collapsed in the industrial anarchy of the "winter of discontent," in which the dead went unburied, rubbish piled up in the streets and the country was gripped by a creeping paralysis which Labour was powerless to cure?

It seems in retrospect to be the history of another country. Yet these things happened and people had to accept them as an unavoidable part of everyday life.

**Reversing the decline:** Remember the conventional wisdom of the day. The British people were "ungovernable." We were in the grip of an incurable "British disease." Britain was heading for "irreversible decline."

Well, the people were not ungovernable, the disease was not incurable, the decline has been reversed.

● Britain today is in the seventh successive year of steady economic growth. We have moved from the bottom to the top of the growth league of major European countries.

● In Britain today, inflation has reached its lowest levels for almost 20 years.

● In Britain today, the number of strikes has dropped to the lowest levels for 50 years.

● In Britain today, far from being in debt to the IMF, we have built up our net overseas assets to their highest level since the Second World War—higher than France, Germany and the United States, second only to Japan.

● In Britain today, living standards are higher than ever before in our history.

But these are bald statistics. What matters is the feel of the country, the new enthusiasm for enterprise, the new spirit that Britain can make it, that we can prosper with the best. Our services sector, employing almost two-thirds of our workforce, generates a vast surplus of foreign earnings. And our manufacturers are travelling the globe with a new confidence born of the knowledge that Britain is internationally competitive again.

**The world stage:** This national revival is not confined to increased economic strength. Britain is also playing a major part on the international stage. From the White House through Europe to the Kremlin our voice is heard on arms control, on East-West issues, on human rights, on the Middle East and on African affairs.

With the Conservative Government, Britain has played a strong and responsible role internationally. We have defended civilised values by fighting terrorism relentlessly. We have secured our national interests, as when we liberated the Falklands.

We have been ready to settle long-standing issues like Hong Kong where we reached an agreement to safeguard the way of life of the people.

Time and again we have shown that we possess the essential requirements of successful diplomacy: we stand firm on principles yet are ready to negotiate and prepared to take decisive action.

**Founded in strength:** The ability to act internationally does not come without effort. It must be founded on a strong economy and a robust defence. This Government took the necessary steps to build up both. Success has followed.

● Prudent financial policies have made Britain one of the world's largest creditors. Today we are able to shape world efforts to sustain trade and promote international monetary co-operation.

● We gave a lead in Nato and installed Cruise missiles. Today, as a result, the Soviet Union is at last prepared to negotiate to remove its own missiles targeted against us.

● This Government is modernising our own independent deterrent. Today Britain retains an independent influence in arms control negotiations between the superpowers.

By such standfastness, we have not only rebuilt our economy and re-established our world reputation; we have also regained our national self-respect. But restoring a country's greatness is not easy. The new Conservative policies met bitter resistance every step of the way.

**Remember:**

● The year-long coal strike, with its volence and intimidation on a masisve scale. It failed and *mining productivity* has since soared.

● The battle we had to fight to ensure that Britain paid no more than its fair share of the European Community Budget. We now get automatic rebates—this year, over £1.3bn.

● The doubling of the oil price which confronted the new Government with a world-wide recession—and, more recently, an equally dramatic fall in the oil price which halved government oil revenues and in earlier times would have threatened a collapse of confidence in the pound. Both these oil "shocks" were successfully withstood by prudent policies which have produced a sustained growth of grosperity.

● And let us not forget the challenge of the Falklands War.

How many of the alternative governments on offer would have stood firm, overcome, or even survived such difficulties? Does anyone suppose that the Labour Party would have resisted, let alone defeated, the violence and intimidation in the coal strike? Or that the Liberals or the Social Democrats would have fought so hard for our rebate from the European Community? Or that *any* of the Opposition parties would have persevered through all these difficulties to break the back of inflation and restore honest money?

**A strong and stable government:** How has it been done? All these improvements in the wealth and *standing* of our country have only been possible because we have had a strong *government with sound policies* and a decisive majority in Parliament. A weak government with uncertain policies would not have known how to withstand the pressures upon it: a government without a good overall majority in Parliament *would not have been allowed to do so; and a strong government* with unsound policies would have been a positive force for disaster.

In this election, only the Conservative Party is offering strong, decisive and united government.

**The next moves forward:** The next Conservative Government will build on the achievements of the past eight years with a full programme of positive reform.

We will continue:

● to pursue policies of sound financial management, the conquest of inflation, the promotion of enterprise and the growth of employment;

● to spread the ownership of *homes, shares, pensions* and savings ever more widely to give families greater financial independence;

● to give people greater choice and responsibility over their own lives in important areas such as housing and education;

● to improve the well-being of the people through better health care, and to safeguard the living standards of those who have to depend on the community;

● to improve the quality of life by conserving the best of our heritage and our countryside, and by fostering provision for the arts and sport;

● to exercise strong leadership where government needs to be strong—in protecting the nation against potential aggression and the citizen against lawlessness.

We intend to press on with the radical Conservative reform which we embarked upon in 1979, and which has already revived the spirit of our people and restored the reputation of our country.

**WIDER OWNERSHIP AND GREATER OPPORTUNITY**

Conservatives aim to extend as widely as possible the opportunity to own property and build up capital, to exercise real choice in education, and to develop economic independence and security.

Our goal is a capital-owning democracy of people and families who exercise power over their own lives in the most direct way. *They* would take the important decisions—as tenants, home-owners, parents, employees, and trade unionists—rather than having them taken for them.

Of course, it is not possible to *give* people independence. That is something we must all achieve by our own efforts. But what this Conservative Government *has* done is to make it easier for people to acquire independence for themselves:

● by introducing the right to buy council houses;

● by returning nationalised industries to the people in ways that encourage the widest possible spread of ownership;

● by making it easier to buy shares in British industry through employee share schemes and Personal Equity Plans.

These opportunities — all too often introduced in the teeth of fierce resistance from the Opposition parties — have achieved spectacular results. There has been a surge of home-ownership, share-ownership and self-reliance.

And because these first-time shareholders and home-owners *are* more independent, they develop a more independent outlook. They are no longer content that some of the most important decisions in their lives — what school their children attend, for example, or whether or not to go on strike—should be taken by officialdom or trade union bosses. People want to decide such *things for themselves.*

In this way the scope of individual responsibility is widened, the family is strengthened, and voluntary bodies flourish. State power is checked and opportunities are spread throughout society. Ownership and independence cease to be the privileges of a few and become the birthright of all.

In this way One Nation is finally reached—not by a single people being conscripted into an organised socialist programme but by millions of people building their own lives in their own way.

**Better housing for all:** Nowhere has the spread of ownership been more significant than in housing. Buying their own home is the first step most people take towards building up capital to hand down to their children and grandchildren. It gives people a stake in society—something to conserve. It is the foundation stone of a capital-owning democracy.

A home should be a source of pride and independence to the family living in it, regardless of whether it is owned or rented. We will ensure that every family in the land has the opportunity to make it so.

Home-ownership has been the great success story of *housing policy in the last eight* years. One milion council tenants have become home-owners and another one and a half million more families have become home-owners for the first time.

Two out of every three homes are now owned by the people who live in them. This is a very high proportion, one of the largest in the world. We are determined to make it larger still.

Some people are still deterred by the costs and complications of house purchase. That is why we must look for new ways to make house-buying simpler and easier. Our abolition of the conveyancing monopoly has already made it cheaper.

*We will keep the present* system of mortgage tax relief.

We will target improvement grants to where they are most needed—to the least well-off. To meet the special needs of old people, we will ensure that all local authorities have powers to give improvement grants, where necessary, for properties where elderly people move in with relatives. We will extend the 30 per cent housing association grant to help schemes for old people.

Most problems in housing now arise in the rented sector. Controls, although well-meant, have dramatically reduced the private rented accommodation to a mere 8 per cent of the housing market.

This restricts housing choice *and hinders the economy.* People looking for work cannot easily move to a different area to do so. Those who find work may not be able to find rented accommodation nearby. Those who would prefer to rent rather than buy are forced to become reluctant owner-occupiers or to swell the queue for council houses. Some may even become temporarily homeless.

And it is not only these people and their families who suffer from the shortage of homes for rent. The economy as a whole is damaged when workers cannot move to fill jobs because there are no homes to rent in the neighbourhood.

This must be remedied. We have already taken some modest steps in this direction by making it easier to part-own and rent homes through shared ownership; by bringing in and widening the scheme for assured tenancies; by our system of shortholds; and by providing a new 30 per cent housing association grant to build hostels for young workers. We have also directly tackled the problem of homelessness through new grants to housing associations and other measures.

More must now be done. The next Conservative Government, having already implemented the right to buy, will increase practical opportunities to rent.

We must attract new private investment into rented housing—both from large institutions such as building societies and housing associations as well as from small private landlords. To *do this we intend, in particular,* to build on two initiatives we have already taken.

First, to encourage more investment by institutions, we will extend the system of assured tenancies. This will permit new lettings in which rents and the period of lease will be freely agreed between tenants and landlords. The tenant will have security of tenure and will renegotiate the rent at the end of the lease, with provision for arbitration if necessary.

Second, to encourage new lettings by smaller landlords, we will develop the system of shorthold. The rents of landlords will be limited to a reasonable rate of return, and the tenant's security of tenure will be limited to the term of the lease, which would be not less than 6 months. This will bring back into use many of the 550,000 private dwellings which now stand empty because of controls, as well as making the provision of new rented housing a more attractive investment.

And we will revise the housing benefit system to ensure that it prevents landlords from increasing rents to unreasonable levels at the taxpayer's expense.

All existing private and housing association tenants will continue to have their present protection in respect of rents and security of tenure.

We will strengthen the law against harassment and unlawful eviction.

Many council estates built in the sixties and seventies are badly designed, vulnerable to crime and vandalism and in bad repair. In many areas, rent arrears are high. In all, over 110,000 council dwellings stand empty. Yet it is often difficult *for tenants to move.* If they are ever to enjoy the prospect of independence, municipal monopoly *must be replaced by choice* in renting.

We will give groups of tenants the right to form tenant co-operatives, owning and running their management and budget for themselves. They will also have the right to ask other institutions to *take over their housing.* Tenants who wish to remain with the local authority will be able to do so.

We will give each council house tenant individually the right to transfer the ownership of his or her house to a housing association or other independent, approved landlord.

In some areas more may be necessary. The success of Estate Action and Housing Action Areas shows how a carefully targeted approach can transform an area of poor housing and give people there new hope. Our Urban Development Corporations have been successful in restoring derelict industrial areas.

We believe that a similar approach could be adopted for *housing in some places.* We will take powers to create Housing Action Trusts—initially as a pilot scheme—to take over such housing, renovate it, and pass it on to different tenures and ownerships including housing associations, tenant co-operatives, owner-occupiers or approved private landlords.

We will reform the structure of local authority housing accounts so that public funds are directed at the problems of repair and renovation; maintenance and management are improved; resources are directed to the areas where the problems are greatest; rent arrears are reduced; and fewer houses are left empty.

Housing is the biggest single investment that most people make—whether in money or in time, skill and effort. In the last eight years, as a result of our policies, we have seen a dramatic increase in home ownership. In the next five years, we will complement that with policies designed to improve the supply and condition of the rented housing stock.

**A capital-owning democracy:** Home-ownership leads naturally to other forms of financial provision for the future—notably to pensions and share-ownership. Half of the working population are in occupational pension schemes, but in 1979 only 7 per cent of the population held shares.

People were deterred by the sheer unfamiliarity of owning shares. Young people were reluctant to save for a retire*ment which seemed far away.* And most tax incentives encouraged saving through institutions rather than directly.

With a Conservative Government, all that has been changing. We were determined to make share-ownership available to the whole nation. *Just as with cars, television sets, washing machines and foreign holidays, it would no longer be a privilege of the few; it would become the expectation of the many.* We achieved this historic transformation in three ways:

First, we introduced major tax incentives for employee share-ownership. Seven out of the last eight budgets have included measures to encourage people to purchase shares in the company in which they work.

*Second, starting this year,* we brought in Personal Equity Plans, which enable people to invest in British industry entirely free of tax.

Third, we embarked on a major programme of privatisation, insisting that small investors and employees of the privatised companies should have a fair chance to join in the buying.

The results have been dramatic, and the direct consequence of government policy. Share ownership has trebled. Almost one in five of the adult population now own shares directly. And the figure will continue to rise. Of this total, the majority are first-time shareholders and most of them own shares in either privatised companies or the TSB group. *One-and-a-half* million people hold shares in the companies where they work.

After eight years of Conservative Government, Britain is now at the forefront of a world-wide revolution in extending ownership. One in every five British adults now owns shares compared to one in ten Frenchmen and one in twenty Japanese. Only the Americans, where a quarter of the people are shareholders, remain ahead—and the gap is narrowing.

This is the first stage of a profound and progressive social transformation — popular capitalism. Owning a direct stake in industry not only enhances personal independence; it also gives a heightened sense of involvement and pride in British business. More realistic attitudes to profit and investment take root. And the foundations of British economic achievement are further strengthened.

We will press on with the encouragement of popular capitalism.

*In the next Parliament:*

● We will continue to extend share-ownership as we have done with home-ownership.

● We will reintroduce our proposed tax incentives for profit-related pay.

● We will privatise more state industries in ways that increase share-ownership, both for the employees and for the public at large.

**Raising standards in education:** Parents want schools to provide their children with the knowledge, training and character that will fit them for today's world. They want them to be taught basic educational skills. They want schools that will encourage moral values: honesty, hard work and responsibility. And they should have the right to choose those schools which do these things for their children.

How can all this best be done? Resources obviously matter. This Government has provided more resources for pupils than ever before.

With the Conservatives:

● Spending per primary pupil has risen by 17 per cent after allowing for inflation and per secondary pupil by 20 per cent under our Government.

● There are more teachers in proportion to pupils than ever before.

● British schools are world leaders in the use of computers in the classroom.

But money alone is not enough. Increased resources have not produced uniformly higher standards. Parents and employers are rightly concerned that not enough children master the basic skills, that some of what is taught seems irrelevant to a good education and that standards of personal discipline and aspirations are too low. In certain cases education is used for political indoctrination and sexual propaganda. The time has now come for school reform.

First, we will establish a National Core Curriculum.

It is vital to ensure that all pupils between the ages of five to 16 study a basic range of subjects — including maths, English and science. In each of these basic subjects syllabuses will be published and attainment levels set so that the progress of pupils can be assessed at around ages seven, 11 and 14, and in preparation for the GCSE at 16. Parents, teachers and pupils will then know how well each *child is doing.* We will consult widely among those concerned in establishing the curriculum.

Second, within five years governing bodies and head teachers of all secondary schools and many primary schools will be given control over their own budgets.

They know best the needs of their school. With this independence they will manage their resources and decide their priorities, covering the cost of books, equipment, maintenance and staff. Several pilot schemes for financial devolution to schools have already proved their worth, such as those in Cambridgeshire and Solihull.

Third, we will increase parental choice.

The most consistent pressure *for high standards in schools* comes from parents. They have a powerful incentive to ensure that their children receive a good education. We have already done much through the 1980 and 1986 Education Acts so that parents can make their voice heard. But parents still need better opportunities to send their children to the school of their choice. That would be the best guarantee of higher standards. To achieve this:

We will ensure that Local Education Authorities (LEAs) set school budgets in line with the number of pupils who will be attending each school.

Schools will be required to enrol children up to the school's agreed physical capa*city instead of artificially* restricting pupil numbers, as can happen today. Popular schools, which have earned parental support by offering good education, will then be able to expand beyond present pupil numbers.

These steps will compel schools to respond to the views of parents. But there must also be variety of educational provision so that parents can better compare one school with another.

We will therefore support the co-existence of a variety of schools—comprehensive, grammar, secondary modern, voluntary controlled and aided, independent, sixth form and tertiary colleges — as well as the reasonable rights of schools to retain their sixth forms, all of which will give parents greater choice and lead to higher standards.

We will establish a pilot network of City Technology Colleges. Already two have been announced and support for more has been pledged by industrial *sponsors.*

We will expand the Assisted Places Scheme to 35,000. This highly successful scheme has enabled 25,000 talented children from less-well-off backgrounds to gain places at the 230 independent schools currently in the scheme.

We will continue to defend the right to independent education as part of a free society. It is under threat from all the other parties.

Fourth, we will allow state schools to opt out of LEA control.

If, in a particular school, parents and governing bodies wish to become independent of the LEA, they will be given the choice to do so. Those schools which opt out of LEA control will receive a full grant direct from the Department of Education and Science. They would become independent charitable trusts.

In the area covered by the Inner London Education Authority, where entire borough councils wish to become independent of the LEA, they will be able to submit proposals to the Secretary of State requesting permission to take over the provision of education within their boundaries.

We recognise the important contribution made by small rural primary schools to education and to the community life of our villages.

We will ensure, therefore, that the future of these schools is judged by wider factors than merely the number of pupils attending them.

Eighty per cent of all three- and four-year-olds in this country attend nursery classes, reception classes or playgroups. Formal nursery education is not necessarily the most appropriate experience for children. Diversity of provision is desirable. LEAs should look to support the voluntary sector alongside their own provision.

We recognise the importance of teachers and wish to enhance their professional status. The Government has provided a record amount of money to increase their pay by an average 16.4 per cent this year—25 per cent over 18 months. Our new pay award will encourage able young people to enter the career of teaching and reward the many good teachers already in the profession.

The Burnham negotiating machinery finally broke down and has been temporarily replaced by an Interim Advisory Committee. The Government wants an effective and permanent machinery for settling teachers' pay, in which the interests of all parties will be recognised.

The Government will produce a Green Paper setting out the various alternatives and will enter into wide consultations with a view to establishing a new and effective machinery.

**Higher and further education:** The British system of higher education is among the best in the world. It ranges from universities to further education colleges providing skills and qualifications. We recognise the value of research and scholarship for their own sake. At the same time we must meet the nation's demand for highly qualified manpower to compete in international markets.

Building on our achievements since 1979 — 157,000 more full-time and part-time students — we want to expand higher education opportunities still further. By 1990, we plan to increase student numbers by a further 50,000, and to raise the proportion of 18-year-olds in higher education.

We will replace the University Grants Committee with an independent statutory body on the lines recommended by the Croham Committee. The new body will be called the Universities Funding Council (UFC) and will have broadly equal numbers of academic and non-academic members with a chairman who has substantial *experience outside the academic* world. The primary responsibility of the UFC will be the allocation of funds to individual universities under new contractual arrangements.

Polytechnics are today strong, successful and mature institutions. They are complementary to the universities. Their present structure, under *local* authorities, is inappropriate for an expanding national role.

As part of our policy to delegate power and responsibility, we will legislate to convert the polytechnics and other mainly higher education colleges in England to free-standing corporate bodies under boards of governors.

We will set up a new Polytechnics and Colleges Funding Council independent of central Government, in place of local authority control.

As part of our aim to widen access to higher education we have begun a review of student support which is the most generous in the western world. We need to modernise this system which has not changed for 25 years. The purpose of the review is to improve the overall prospects of students so that more are encouraged to enter higher education. No final conclusions have been reached, but we believe that top-up loans to supplement grants are one way, among others, of bringing in new finance to help students and relieve pressure on their parents.

We will take care to ensure that the best aspects of the present system are retained in any new proposals which we bring forward.

**Trade unions:** It is not only in relation to government, however, that people's right to choice and independence must be safeguarded and extended. Great social institutions can sometimes become too powerful and cease to represent their members, denying them any control over the decisions taken in their name and even forcing them to act against their own interests. That was the case with trade unions before 1979.

Since then, Conservative reforms have redressed the balance between the individual and his union, preventing coercion of the majority by activists and militants. These highly successful and popular measures have encouraged democracy within the unions, restrained the abuses of secondary action and picketing, reversed the growth of closed shops, restored the rights of redress against unions acting unlawfully and removed the immunity of unions that call a strike without a fair ballot.

The result has been a transformation of shop-floor relations, allowing management and workforce to co-operate to improve working practices and introduce new technology to mutual gain. In the next Parliament we will protect the rights of individual trade union members.

We will introduce legislation to:

● empower individual members to stop their unions calling them out on strike without first holding a secret ballot of members;

● protect individual members from disciplinary action if they refuse to join a strike they disagree with;

● ensure that all members of trade union governing bodies are elected by secret ballot at least once every five years;

● make independently supervised postal ballots compulsory for such elections;

● limit further the abuse of the closed shop by providing protection against unfair dismissal for all non-union employees, and removing any legal immunity from industrial action to establish or enforce a closed shop;

● provide new safeguards on the use of union funds;

● establish a new trade union commissioner with the power to help trade unionists to enforce their fundamental rights.

**BUILDING PROSPERITY AND EMPLOYMENT**

Since this Government took office in 1979, we have restored honest money and established a stable economic framework in which business can flourish. We have been careful not to spend money before we earned it. We have brought the nation back to living within its means. We have massively rebuilt our international assets. We have refused to be drawn into an auction of pledges for higher spending that the country simply could not afford. We have balanced the books. We have paid our way.

The results have been dramatic.

● Despite the coal strike and the collapse of the oil price, Britain has moved from being bottom to the top of the growth league of major European countries.

● *Inflation* has reached its lowest levels for almost 20 years.

● The basic rate of income tax has been cut from 33p to 27p, four taxes have been abolished, and almost a million and a half people have been taken out of income tax altogether.

● Over a million extra jobs have been created since 1983—more than in the rest of the European Community put together.

● Unemployment, a problem throughout Europe, is now firmly on a downward trend—with youth unemployment in this country below the European average.

● We have rebuilt our net overseas assets to some £110bn from a mere £12bn when we first took office. This will provide substantial foreign earnings in the years ahead and a cushion, should oil revenues fall.

While the Opposition parties cling to the failed policies of the past, our strategy has become widely accepted abroad. Socialist Spain as well as Christian Democratic Germany, Social Democratic Sweden as well as France, Labour New Zealand and Conservative Canada, all accept that governments must reduce their borrowing, curb state spending, reduce taxation, privatise state firms and do away with unnecessary controls. What we began in 1979 is today common international practice.

**Stable prices:** Our greatest economic challenge on entering office was to defeat inflation. Rampant inflation under the Labour Government, when money lost a quarter of its value in a single year, had reduced our economy to "the sick man of Europe."

Nothing erodes a country's competitive edge faster than inflation. Nothing so undermines personal thrift and independence as to see the value of a lifetime's savings eaten away in retirement through spiralling prices. And nothing threatens the social fabric of a nation more than the conflicts and divisiveness which inflation creates.

Our success in the battle against inflation has been the key to Britain's economic revival. It required firm control of public expenditure, a substantial reduction in government borrowing, curbing the growth of money in circulation, maintaining financial discipline, stimulating competition and moderating trade union power. The Opposition parties opposed nearly every aspect of this strategy. If even some of their policies were implemented today, higher borrowing and higher spending would once again unleash inflation.

There is no better yardstick of a party's fitness to govern than its attitude to inflation. Nothing is so politically immoral as a party that ignores that yardstick.

The Conservative Government will continue to put the conquest of inflation as our first objective. We will not be content until we have stable prices, with inflation eradicated altogether.

**Lower taxes:** We are the only Party that believes in lower taxation.

As the Party determined to achieve growing prosperity we recognise that it is people who create wealth, not governments. Lower taxation coupled with lower inflation makes everyone better off. It encourages people to work harder, to be inventive and to take risks. It promotes a climate of enterprise and initiative.

Lower tax on earnings enables people to build up savings to give them financial security in later life.

Lower taxation, by increasing take-home pay without adding to industry's costs, improves competitiveness *and helps with* jobs. And tax relief for charitable donations encourages more people to give—and to give more generously.

There is a strong moral case for reducing taxation. High taxes deprive people of their independence and make their choices for them. The desire to do better for one's family is one of the strongest motives in human nature. As a party committed to the family and opposed to the over-powerful State, we want people to keep more of what they earn, and to have more freedom of choice about what they do for themselves, their families and for others less fortunate.

Governments should trust people to spend their own *money sensibly and decently;* high taxation prevents them doing so.

That is why we have:

● cut the basic rate of tax from 33p *to 27p* in the £, and increased the personal allowances (the starting point for paying tax) by 22 per cent more than inflation.

If Labour's tax regime were still in force, the family man on average earnings would today be paying more than £500 per year in extra income tax: a headmaster married to a nurse would be paying more than £1,300 extra;

● reduced sharply the absurd top rates of tax inherited from Labour which were causing so many of our most talented people to work abroad;

● *increased* greatly the tax relief for charitable donations. Giving to charities has doubled since we first took office;

● abolished four taxes completely: the national insurance surcharge — the tax which Labour put on jobs—the investment income surcharge, the development land tax and the lifetime gifts tax;

● reformed and simplified corporation tax, and cut its rate to the lowest of any major industrial country;

● cut the small business corporation tax rate by more than a third, and extended it to many more small businesses;

● reformed and reduced capital taxes as well as slashing stamp duty.

In every case where taxes have been reformed and reduced there has been an

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# UK NEWS — CONSERVATIVE ELECTION MANIFESTO


The launch of the Conservative Manifesto: Kenneth Baker, Lord Young, George Younger, Nigel Lawson, Lord Whitelaw, Mrs Thatcher, Norman Tebbitt, Sir Geoffrey Howe, Douglas, Hurd, Norman Fowler and Nicholas Ridley

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increase in the amount of tax collected.

Labour totally fail to understand the benefits this brings to everyone. Today they openly threaten to raise taxation. To fulfil their plans they would have to raise taxes substantially. Indeed, all the Opposition parties—Labour, Liberals and SDP—would raise taxation. We believe that it is precisely the wrong thing to do.

It will be our aim to do the opposite.

In the next Parliament:

● We aim to reduce the burden of taxation.

● In particular, we will cut income tax still further and reduce the basic rate to 25p in the £ as soon as we prudently can.

● We will continue the process of tax reform.

**Spending we can afford:** Over the past eight years we have managed the nation's finances with care. Even allowing for inflation, this has enabled us to spend substantially more on the Health Service (up by 31 per cent), defence (up by 23 per cent), roads (up by 17 per cent), education per pupil (up by 18 per cent), the police and the battle against crime (up by 47 per cent), the disabled and long-term sick (up by 72 per cent) and government training schemes (up by 120 per cent).

How have we been able to do this without running into the financial crises which Labour's spending policies invariably set off?

First, we have been prudent with the nation's money. We have slashed public borrowing and sought savings in government expenditure wherever they could sensibly be found.

Second, we are engaged in steadily reducing the share of the nation's income taken by the State. This means that more will be left for families and for business to invest—the only safe route to higher growth in the economy.

Third, we have constantly improved the efficiency of the public services, ensuring that we get more value for every pound spent.

For the next Parliament:

● Our aim is to ensure that public expenditure takes a steadily smaller share of our national income.

● Within that objective, we will continue to spend more on our priorities. We have set out our plans for further increased spending in these areas over the next three years.

**Creating new jobs:** High unemployment is one of the most intractable problems facing all Western industrialised countries.

We understand the anxiety and stress which unemployment can cause. For almost a year unemployment in the United Kingdom has fallen faster than among any of our major competitors in Europe, and faster than at any time since 1973. It is falling because of the growth and enterprise we have achieved, assisted by the employment and training programmes we have developed.

Since we were last re-elected in 1983, the number of jobs has risen by over 1m—more than in the rest of the European Community put together. This Government has established the conditions in which business can prosper and create new jobs. This has not just been achieved through the revitalisation of traditional industries. We have encouraged growth in those crucial areas of new enterprise which provide the foundation for the jobs of the future—self-employment, small firms, the creation of new enterprise, the expanding service sector—particularly tourism and leisure—and new technology.

Self-employment is the seed-corn of the new enterprises of tomorrow. Without sufficient people to start new businesses, the future of our whole economy is in jeopardy. Today we have the highest number of self-employed for over 60 years. One worker in ten is now his own boss—or her own boss. Since a quarter of the self-employed are women. Indeed, the eighties have seen almost three-quarters of a million people become self-employed. More and more of our young people today seek self-employment as a worthwhile career. It is particularly encouraging that almost half of the growth in self-employment since 1983 has been in the northern part of our country.

Small firms, along with all businesses, have benefited from our management of the economy. Since this Government took office, the number of registered businesses has shown a net increase of more than 500 a week—and the number has *increased in every region of the country.*

**Helping unemployed people into jobs:** As well as creating a climate in which business could employ more people, we have developed programmes to help those out of work.

The Youth Training Scheme (YTS) caters for school-leavers aged 16 and 17 who wish to participate in training and work experience. Every trainee is given the opportunity of working towards a recognised qualification.

The new Job Training Scheme (JTS), which started in April this year, will offer a chance to any person over 18 who has been unemployed for six months or more, who wants to work and train with an employer for a recognised qualification. This year it will help nearly a quarter of a million people.

Under our Community Programme, each year over 300,000 people who have been out of work for some time gain valuable experience working on community projects. They have a reference to show potential employers.

We will improve the Community Programme to make it full-time and better able to help those with families. We shall pay those working on the programme an allowance giving a premium over and above their social security payments.

Under the Enterprise Allowance Scheme, 230,000 unemployed people have started to work for themselves. Many of them have now become employers themselves.

JobClubs were first opened in 1985 to help the unemployed help themselves back into jobs. Over 1,000 have been established. At present two-thirds of those leaving JobClubs go into employment.

The JobClubs programme has been a great success. We aim to expand it.

Our economic success means that we can now do more to help those out of work.

Although youth unemployment has declined in the last year it still remains a problem. Far too many of our youngsters leave school with an education that has failed to prepare them for the world of work. At the same time, by maintaining high starting wages comparable to those of fully trained craftsmen, trade unions have kept many of them out of work.

In 1983 we introduced the first Youth Training Scheme. It is now a national two-year programme aimed at giving young people qualifications for work.

We will now guarantee a place on the Youth Training Scheme to every school-leaver under 18 who is not going directly into a job.

As a result, none of these school-leavers need be unemployed. They can remain at school, move to college, get a job, or receive a guaranteed training. YTS will serve as a bridge between school and work.

We will take steps to ensure that those under 18 who deliberately choose to remain unemployed are not eligible for benefit. We will of course continue to protect other young people, such as those who suffer from disabilities.

There are still too many young people without the right qualifications for employment in today's world.

Within a year we aim to guarantee a place, either on the Job Training Scheme or on the Enterprise Allowance Scheme or in a JobClub, for everyone aged between 18 and 25 years who has been unemployed for between six and twelve months.

In addition to these major programmes we have taken one further important step.

Restart is a programme we have set up for interviewing and counselling the long-term unemployed to help them into a job or training. Everyone who has been unemployed for more than one year has already been given an interview.

We will guarantee to provide the Restart service in the future at six-monthly intervals, to all those who have been unemployed for more than six months.

Over the next five years we will aim, through the Restart interviews, to offer everyone who is under 50, and who has been unemployed for more than two years, a place in the Job Training Scheme or in the new Community Programme, in a JobClub or in the Enterprise Allowance Scheme.

Money spent on earlier programmes attracting firms to regions has sometimes created very few jobs. Our new system of regional assistance, introduced in 1984, ensures that aid is directly targeted towards the creation of new jobs. New activities in the service sector from which so many of the new jobs come have also been made eligible for assistance. Under the new policy, offers of assistance have already been made which should secure almost 300,000 jobs. We will continue to ensure that assistance is directed where it is most needed.

**The employment and training services:** We will take further steps to provide a comprehensive service to the unemployed. We will consult the Manpower Services Commission about transferring Job Centres to the Department of Empolyment so that they can work more closely with Unemployment Benefit Offices.

The Manpower Services Commission would then become primarily a training agency. It is employers who are best equipped to assess their training needs. We will increase employers representation on the Commission and its advisory bodies.

More jobs are being created by business and industry. Nothing would destroy whole industries more effectively than a return to the overmanning and restrictive practices of the 1970s. Our policies form a practical and realistic approach to help people back into work. We will build on prosperity to create more employment.

## A FRAMEWORK FOR BUSINESS AND INDUSTRY

British business is in a healthier state than it has been for a generation. Output has been rising steadily for six years. Productivity has increased at a rate second only to Japan. Company profitability is at its highest for over 20 years. Industry has a confidence in the future that would have been unthinkable seven years ago.

Moreover, setting new records has not been confined to the private sector. Since 1983 productivity in the coal industry has risen by over 50 per cent. British Steel has more than doubled its productivity since 1979 and made a profit last year for the first time in over 10 years. British Rail will cost the taxpayer 25 per cent less in subsidy this year than in 1983 and without any major route closures.

The Conservative Government has created a framework in which once again enterprise can flourish—by cutting red tape, by denationalising state-owned companies, by removing unnecessary restrictions, by abolishing exchange control, by enabling the City of London to become the foremost financial centre in the world, by keeping down prices through extending competition, and by ensuring access to open trade so that British exporters and consumers can both benefit.

**Privatisation:** Over a third of the companies and industries which used to be owned by the State have been returned to free enterprise. Productivity and profitability have soared in the newly privatised companies.

● In 1980 Jaguar made 14,000 cars a year, losing well over £3,000 on each car sold. Now the company is hard put to keep up with overseas demand and last year sold over 40,000 cars, making a pre-tax profit of over £120m.

● Since the National Freight Consortium was sold to management and staff in 1982, pre-tax profits have increased sevenfold.

● British Aerospace, Cable and Wireless, Amersham International and Associated British Ports have all strikingly increased their profits.

It is no mystery why privatisation has succeeded. The overwhelming majority of employees have become shareholders in the newly privatised companies. They want their companies to succeed. Their companies have been released from the detailed controls of Whitehall and given more freedom to manage their own affairs. And they have been exposed to the full commercial disciplines of the customer. Even former monopolies now face increased competition.

We will continue the successful programme of privatisation.

In particular, after the privatisation of the British Airports Authority we will return to the public the Water Authorities, leaving certain functions to a new National Rivers Authority.

Following the success of gas privatisation, with the benefits it brought to employees and millions of consumers, we will bring forward proposals for privatising the electricity industry subject to proper regulation.

*Competition:* *Competition* forces the economy to respond to the needs of the consumer. It promotes efficiency, holds down costs, drives companies to innovate and ensures that customers get the best possible value for money.

Accordingly, this Government has:

● Deregulated long-distance coach services — creating over 700 new services with improved quality and lower fares.

● Removed the monopoly on conveyancing of houses in England and Wales.

● removed the opticians' monopoly, making it easier and cheaper to buy spectacles;

● relaxed advertising controls on accountants, solicitors, stockbrokers and vets, and permitted greater fee competition for architects and surveyors;

● increased competition on air routes within the UK and between certain European countries, which has resulted in cheaper fares, a more responsive service and greater choice of carriers for the passenger;

● deregulated telecommunications, so that customers can now choose between suppliers when buying telephones and private exchanges, and business can choose between two alternative telecommunications networks;

● suspended the Post Office monopoly of time-sensitive and valuable mail, stimulating a dramatic increase in the number of private courier companies.

We will continue this approach.

But competition must be supplemented by legal protection for consumers. Those who make their living from their ideas and creations also require protection against theft.

We will introduce further measures to impose tighter controls on pyramid selling.

We will introduce measures to reform the law on copyright, design and performance protection.

**The City:** The City of London is the world's leading market place in foreign exchange, international bank lending and international insurance. It is a major source of funds for British companies. The financial services sector as a whole accounts for nearly 6 per cent of our national income, generates a net £7bn per year to our balance of payments, and employs over 1m people.

Like other sections of British industry, however, the City was held back by restrictive practices until they were swept away in last year's "big bang." This has brought nearer the day when shares can be bought and sold over the counter in every high street. We have also given building societies greater freedom to make a wider range of financial services available to the average family.

At the same time, the Conservative Government has introduced a legal framework to protect investors and consumers:

● The Companies Acts of 1980 and 1981 strengthened the powers of investigators and increased the courts' power to disqualify directors for misconduct in the City as elsewhere.

● The Insolvency Act of 1985 made it easier to disqualify directors who had been guilty of unlawful trading.

● And now the Financial Services Act of 1986 provides the first comprehensive system of investor protection we have had in this country. It also contains stringent new powers to investigate insider dealing which was first made a criminal offence by the Conservative Government in 1980.

The Conservative Party is the party of law and order. That applies just as much to City fraud as to street crime.

Parliament has just approved our proposals for establishing a Serious Fraud Office to improve the work of investigating and prosecuting the worst cases of fraud and for streamlining court procedure. After the election we will reintroduce our proposals to reform the outdated rules on evidence, as recommended by the Roskill Committee.

**Trade:** Britain exports 30 per cent of all that it produces. If this country is to remain a key trading nation, industry must remain competitive. That is one reason why the Conservative Government attaches great value to maintaining an open multinational trading system. Another is that increased trade is a major way of encouraging growth and prosperity in the Third World. There is little point in demanding more aid for these countries and then refusing them the opportunity to trade.

We will continue to fight for free and fair trade in international negotiations and resist the growth of protectionism.

We will press for international rules of fair trading to be extended to international investment, trade in services and the protection of intellectual property such as patents, trademarks and copyright.

We will continue to exert pressure on countries such as Japan to open up their markets and provide the same freedom to trade for our exporters as they expect us to provide for theirs.

As well as creating the commercial and legal framework in which industry can flourish, the Government must also ensure that the practical services on which industry and the citizen rely—transport, energy, research and development, and an efficient civil service—are provided to a high standard.

**Efficient transport:** The Conservative Government is proud of a record that has:

● modernised the transport system by investing over £10bn in the nation's motorways, roads, roads, airports, seaports and railways;

● since 1979 competed over 680 miles of motorway and trunk roads and 67 bypasses;

● secured greater efficiency by privatising British Airways, the National Freight Corporation, Sealink and Associated British Ports;

● increased competition by deregulating long-distance coach services and abolishing local bus licensing.

These measures have laid the foundations of an efficient and more flexible transport system. We will develop it further along these lines. We are now returning the nationalised bus companies to the private sector—in many cases to management buy-outs. We are also privatising the former British Airports Authority—the world's leading international airports group.

We are committed to a major capital investment programme through:

● new investment to build an extra 450 miles of motorway and trunk roads to 1989-90;

● British Rail's plans to invest £500m a year over the next three years;

● private sector financing, construction and operation of the Dartford Bridge and the Channel Tunnel.

**Energy:** Britain is the only major Western industrial country that is a net exporter of energy. This owes much to North Sea oil so successfully developed by free enterprise. But it is an advantage that will not last indefinitely.

Coal will continue to meet much of the steadily rising demand for electricity. Renewable sources of energy can make some contribution to the nation's energy needs, which is why government-sponsored research has been increased. Nevertheless, to reject, as our opponents do, the contribution of nuclear energy to supplying reliable, low-cost electricity, and to depend on coal alone, would be short-sighted and irresponsible.

The world's resources of fossil fuels will come under increasing strain during the 21st century; so may the global environment if the build-up of carbon dioxide—the so-called "greenhouse effect"—significantly raises temperatures and changes climates.

After the most careful and painstaking independent assessment of the safety case for a new pressurised water reactor at Sizewell, therefore, the Government has decided to proceed with the next phase of our nuclear programme. It is vital that we continue to give the hihgest priority to safety. Our nuclear industry has a record of safety an dtechnical excellence second to none.

We intend to go on playing a leading role in the task of developing abundant, low-cost supplies of nuclear electricity, and managing the associated waste products.

**Science and R and D:** Government support for research and development amounts to more than £4½bn per year. It is larger as a share of our national income than that of the United States, Japan or Germany. A country of our size cannot afford to do everything. These resources need to be better targeted. The task of government is to support basic research and to contribute where business cannot realistically be expected to carry all the risks.

We will ensure that government spending is firmly directed towards areas of high national priority, by extending the role of the Advisory Council on Applied Research and Development, drawing on the full range of advice from the academic community and from business.

**The Civil Service:** We have long had in this country a professional and dedicated public service which is the envy of the world. We are now building on those traditional qualities—which can too easily be taken for granted—with new strengths and skills: a greater readiness to adapt efficiently to change, including technological change, to manage the public service more effectively, and to see that the taxpayer gets value for money. The size of the Civil Service at under 600,000 people today is the smallest since the war. This is already saving the taxpayer £1bn a year.

We will press on with long-term management reforms in order to improve public services and reduce their cost.

## AGRICULTURE AND THE RURAL ECONOMY

**Farming:** Britain's farmers serve the nation well. They produce 80 per cent of the food we grow compared with 60 per cent only 10 years ago. They have made us into the world's sixth largest exporter of cereals when we had been a net importer for decades before. They look after 80 per cent of the British countryside. And consumer food prices have risen less than the cost of living, unlike the Labour years.

But farmers world-wide are under pressure because of surpluses and the huge costs of disposing of them. It is just as much in the farmers' interest as in the consumers' and taxpayers' that this over-production be stopped and a radical overhaul of the Common Agricultural Policy achieved. Farmers need a more sustainable environment in which to plan ahead.

We will continue:

● to play a leading part in European Community negotiations to reform the CAP;

● to strive for even-handed and fair treatment between Member States and between the different regions of the UK;

● to work for an early devaluation of the Green Pound, especially in relation to beef;

● to uphold the interests of the efficient family farm;

● to reduce costs and tackle surpluses, by bringing supply and demand in the Community into better balance by a combination of measures including price restraint;

● to reduce the role of intervention.

At home we will continue:

● to promote competitiveness and innovation in British farming and horticulture;

● to give particular assistance to farmers in the Less Favoured Areas, recently extended, where farming is difficult;

● to encourage better marketing of agricultural and horticultural products and to ensure that the consumer has as much information about the contents of food as is necessary to make sensible choices.

We will not introduce rating on agricultural land and will oppose two-tier pricing in the CAP, which would greatly disadvantage our farmers and benefit their competitors.

**The rural economy:** Farming is, and will remain, the major industry in the countryside and food production will continue to be the farmer's basic purpose. The higher production resulting from greater efficiency and modern techniques initially means more land coming out of agriculture. A new balance of policies has to be struck, with less support for expanding production of commodities already in over-supply and more support for diversifying into other activities.

We have recognised the new needs of the countryside and rural economies in two ways. First, we now place more emphasis on support for the environment and the beauty of the countryside; we now give grants to plant hedgerows, not dig them up. Second, we encourage alternative uses of land and more diverse job opportunites to maintain thriving communities in the rural economy.

We will therefore:

● emphasise environmental protection and promotion of non-farming rural businesses in the planning system;

● continue to support the Development Commission in developing rural enterprises;

● extend the Environmentally Sensitive Areas scheme which makes conservation a more integral part of farming;

● introduce new schemes to assist diversification of new enterprises on farms;

● introduce a new Farm Woodland Scheme to assist alternative land use.

**The UK fishing industry:** Our fishing industry supplies two-thirds of the fish we eat. It is an important source of jobs and income in many areas.

The Government's success in further improving the Common Fisheries Policy has meant that international policing has been made more effective; and increasingly stringent conservation measures have secured the future for our fleets.

We will introduce legislation to ensure that UK quotas are reserved for UK fishermen. We are pledged to measures to enable our fishermen to take full advantage of all their opportunities and to improve and modernise their boats.

**Animal welfare:** The Conservatives have a proud record over the years of promoting animal welfare. Most of the legislation was either initiated by Conservative governments or introduced as Private Members' measures by Conservative MPs when the Conservatives were in office.

Since 1979 we have:

● set up the Farm Animal Welfare Council which advises the Government on the welfare of farm animals. We will continue to care for them with the advice and guidance of the Farm Animal Welfare Council.

● honoured our commitment to replace the 1876 legislation with the Animals (Scientific Procedures) Act 1986—the most effective in Europe. It imposes tight new controls on the use of animals for experiments. The number of experiments has declined in each of the last nine years, and we expect that decline to continue.

## BETTER HEALTH, BETTER CARE

**Achievements in health:** The health of the British people is steadily improving. Quite simply, we live longer. Life expectancy has increased and infant mortality has declined.

Over the last eight years the Government has spent more on the Health Service than any previous government, Labour or Conservative. In 1979, the outgoing Labour Government planned to spend less than £8bn on the nation's health. This year, the Conservative Government will spend nearly £21bn. After allowing for inflation, that is an increase of almost a third. This extra money has been spent wisely and well. The Health Service today is treating more patients than ever before in its history.

Money is important, but the success of the NHS depends still more on the dedication of the people working in it. There are over 75,000 more doctors, dentists and nurses than in 1978. These extra staff have enabled the NHS to treat 6m more patient cases—in-patients, day cases, out-patients—than when we took office. Sometimes they work in very difficult conditions. That is why the Government has reduced nurses' basic hours from 40 to 37½ hours per week and increased their pay by 30 per cent after allowing for inflation.

We will continue to improve the Health Service.

**Future tasks for the Health Service:** Our policies rest on six principles:

First, we will give greater emphasis to the prevention of avoidable illness and the promotion of good health—to make the NHS more truly a health service and not merely a sickness service.

Much progress has been made in the past eight years.

● The improvement of the maternity services has helped to reduce by a third the death rate among babies in the weeks around birth.

● The expansion of vaccination and immunisation has prevented illness and death among children.

● Screening for cervical cancer has been improved and death rates from the disease have fallen by almost 10 per cent in the past decade.

● We have already embarked on a major campaign to tackle the problem of coronary heart disease.

● To fight AIDS, the Government has undertaken the biggest health education campaign ever seen in this country—one much admired abroad—and is fully supporting the Medical Research Council in a special programme of research towards treatments and vaccines.

These are welcome advances.

In the next Parliament, we will build on this work by:

● Completing the network of computerised "call and recall" systems for cervical cancer screening, and extending them to younger women.

● Developing a national programme for breast cancer screening.

● Backing the newly established and powerful Health Education Authority.

*Second, we will continue to show our support for the million people working in the NHS, of whom half are nurses.*

Nurses wanted the assurance that, without recourse to strike action, they would receive fair treatment over pay. That is why we set up the independent Nurses' Pay Review Body. After the latest award, we will have *increased* nurses' pay by 30 per cent since 1979, after allowing for inflation. That compares to the severe *reduction* of more than 20 per cent, which they suffered under the last Labour Government.

Nurses also want a training and career structure which reinforces their professionalism, rewards experience, and offers opportunities for managerial responsibility without being removed to a distant desk. We share those views, and will seek to further them. We are particularly keen to attract experienced nurses back into the profession, and to encourage others to take up nursing as a new career.

Hospital doctors and consultants, too, are a vital part of the Health Service. We have already increased the number of consultant posts and we will continue to work for improvements in the medical career structure.

The NHS could not function without ancillary services. Some of these—cleaning, catering, and laundry—have been put out to competitive tender to enable health authorities to select the best and most effective way of providing these services. Savings are now approaching £100m a year and they have gone directly and immediately into better patient care.

We have undertaken consultation on the improvement of primary care. Our aim is to develop the strength and flexibility of the services provided by GPs, dentists, pharmacists, opticians and nurses who work in the community.

There are particular problems affecting health care in inner cities. Doctors and nurses there take on a particularly tough and difficult job. We shall continue to look for new ways of helping them and improving health care, especially primary care in the inner cities.

*Our third principle is to modernise the whole framework of the health service—its hospitals, its clinics, its equipment.*

In the face of economic collapse, the last Labour Government cut the hospital building programme by a third. This Government has embarked on the biggest building programme ever. It will cost £3bn. In seven years we have already carried through over 200 major building projects from start to finish.

We will complete some 125 further major new building schemes in the next three years, and get many more under way.

New hospitals, too, are being built in areas lacking the provision they need. Old and inefficient Victorian buildings are being replaced with purpose-built modern hospitals. Much modern medicine and surgery is better carried out in the new larger hospitals, equipped with new medical technology. Wherever possible, however, small old hospitals have found a new role as community hospitals staffed by local GPs.

Fourth, elderly, disabled, mentally ill and mentally handicapped people, should be cared for within the community whenever this is right for them.

In the past some people who should have been cared for in other ways have remained in hospitals, sometimes for years. That is changing. The number of children in long-stay hospitals for the mentally handicapped has fallen by almost three-quarters. The number of adults in long-stay mental handicap and mental illness hospitals has fallen by around 11,000.

This changing pattern has already brought a better life to many thousands of people. It has the potential to do so for many thousands more. But we need to examine carefully various alternatives to discover what is now best for patients. We have set in hand the first ever full-scale review of community care.

We will develop our policies in the light of its findings.

Our fifth principle is to strengthen management.

The NHS is a large and complex organisation. It needs good management. It is not a business, but it must be run in a business-like way.

The reduction of waste and

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# UK NEWS – CONSERVATIVE ELECTION MANIFESTO

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inefficiency has released hundreds of millions of pounds for better patient care. The sale of property which the NHS no longer needs—for example, because of new hospital developments—is currently raising £200 million a year for better health care.

We will continue to ensure that the Health Service is as efficient as possible.

Good management is not just a matter of efficiency. We value enterprise in the public service just as much as in the private sector. We will continue to encourage district and regional managers to devise new ways of providing better patient care.

Finally, the ultimate purpose of the Health Service is to serve the patient: that principle is at the heart of the Government's policy.

The time some patients have to wait for treatment is the most widespread concern in the NHS. The Government has given priority to reducing waiting lists and times. We have set up a special £50m two-year programme. This year it will give treatment to over 100,000 people who are waiting for operations. We have set targets for more hip operations for old people and more bone marrow transplants for children.

Putting patients first was the theme of our consultative document on primary care. We want the patient to have more information about services available from family doctors so that they can make a more informed choice.

**Social security—a fair deal for those in need:** We are spending about £46bn this year on social security benefits—over £800 a year for every man, woman and child in the country. Expenditure on pensions and other benefits has risen by £13bn on top of inflation since we came into office. Most of this, an extra £9bn, has gone to provide better standards of help and support to more elderly people, families with children, disabled people and those suffering long-term illness. The other £4bn has gone to help the unemployed but we have done more than provide extra resources—massive as the increase has been.

For the first time for 40 years the Government has undertaken an overall review of the social security system. The review showed a social security system which was too complex and which too often did not provide help for those most in need. The 1986 Social Security Act tackled these problems and reformed the position so that the system is simpler to understand and to run. It will be fairer in the way it directs help to those who need it most. And it will be a system in which people can look forward to independence and security in retirement.

Our policies for social security have four main aims.

First, to ensure that those in retirement have a secure standard of living through state provision and their own pensions and savings.

This Government has honoured its pledges to the pensioner and more than maintained the buying power of the state pension. Total spending on state pensions and benefits for elderly people has risen by 29 per cent after allowing for inflation.

We will continue to maintain the value of the state retirement pension.

But retired people value their independence. They do not want to rely on the State alone for their income nor, increasingly are they doing so. We share Beveridge's original goal of a good basic pension from the State, together with a second income from occupational and personal pensions and savings.

Pensioners have benefited from our success against inflation. Almost three-quarters of all pensioners have savings. Their income from these has grown by over 7 per cent on average every year since 1979. Income from savings fell by 3½ per cent every year under the last Labour Govrnment, eaten away by inflation.

Occupational pensions, pensioners' savings, social security benefits and the state retirement pension have all increased. The total increase in income for the average pensioner is more than double that achieved during the last Labour Government.

We are now offering new opportunities for people to obtain additional pensions from their jobs or their own savings. We have already improved the treatment of those now retiring early and of the pension rights of people changing jobs.

We wish to encourage the 10m employees who do not yet have their own occupational pension scheme to have a pension of their own. Every employee should have the right to take out a personal pension, fully portable from job to job. That is why we are extending favourable tax treatment from employers' schemes to personal pensions.

As a result of these reforms, millions more people will have the opportunity to take out additional pensions of their own.

In the next Parliament:

We will reintroduce measures to give substantial tax incentives to personal pensions, and to enable members of occupational schemes to make additional voluntary contributions to a pension plan that is completely separate from their employers' schemes. These measures will further increase choice for millions of employees.

Second, to bring more help to low income families.

Child benefit will continue to be paid as now, and direct to the mother. Families on income support—which replaces supplementary benefit—will benefit from the new family premium. In addition, we will introduce the new family credit which will benefit twice as many low income families in work as family income supplement. The new system will also help tackle both the unemployment and the poverty traps.

Third, to improve the framework of benefits for disabled people.

Spending on benefits for disabled people and those suffering long-term sickness has been increased by 72 per cent after inflation to £6 billion. The amount spent on mobility allowances has been doubled, invalid care allowance extended, the new severe disablement allowance introduced and the invalidity trap abolished. The introduction of the new disablement premiums will bring an extra £50 million per year to disabled people.

We are carrying out a major new survey of the needs of disabled people. This will be completed next year.

*Fourth, to reform the tangled web of income-related benefits which has grown up piecemeal over 40 years.*

For the first time all the income-related benefits will be calculated in the same way. Where people are working, the amount of benefit they get will depend on their pay after tax and national insurance contributions. Thus people will not be made worse off by taking a job and will not lose money when their gross pay rises.

The new rules, which come into effect in April next year, will be easier for claimants to understand and staff to run. In addition, our programme of computerisation — the biggest programme ever in this country — will help staff to deliver benefits to all who are entitled to them quickly, accurately and courteously.

Success in social policy depends on growth in national prosperity. Labour's economic failure led to damaging cuts in health care and benefits. Our increasing economic strength means that resources for care have grown and are growing—with programmes better managed, better adapted to changing demands, and better directed to those most in need.

### FREEDOM, LAW AND RESPONSIBILITY

Conservatives have always believed that a fundamental purpose of government is to protect the security of the citizen under the rule of law. There can be no half-heartedness, no opting out, in the fight against crime and violence: all of us, not just the Government or the police, share a responsibility to make safer our streets and homes.

**The fight against crime:** We do not underrate the challenge. Crime has been rising steadily over the years; not just in Britain but in most other countries, too. The origins of crime lie deep in society: in families where parents do not support or control their children; in schools where discipline is poor; and in the wider world where violence is glamourised and traditional values are under attack.

Government *alone* cannot tackle such dep-rooted problems easily or quickly. But Government must give a lead: by backing, not attacking the police; by providing a tough legal framework for sentencing; by building the prisons in which to place those who pose a threat to society—and by keeping out of prison those who do not; and by encouraging local communities to prevent crime and to help the police detect it. All this we have done; and we will intensify these efforts.

- The manpower available to the police has been increased by 16,500 since 1979.
- We have given the police more powers to avert public disorder.
- We have encouraged tougher sentences for violent criminals. The maximum penalties for trafficking in hard drugs and for attempted rape have been raised to life imprisonment. The courts have been empowered to strip drug traffickers of their profits.
- We have brought forward a number of reforms to help tackle child abuse and make it more likely that offenders will be successfully prosecuted.
- We have embarked on the biggest prison building and modernisation programme this century and increased staff numbers by almost a fifth.

**Care for the innocent:** At the same time we have extended protection for innocent people and for the victims of crime.

- We have strengthened the safeguards against any abuse of police power by setting up an independent Police Complaints Authority, providing for the tape-recording of police interviews and setting down clear rules on the proper treatment of the individual citizen.
- We have given special priority to helping the victims of crime. Police treatment of rape victims has been made more sensitive. More criminals now pay compensation to their victims. We are providing more money to help local Victim Support Schemes.
- We have launched a determined drive to improve the administration of justice by providing for time limits by which the cases of those held in custody must be heard. Fifty-eight more Circuit Judges have been appointed and 43 court building projects have been completed.

**Better justice:** The challenge before us remains great; but much has been done. The great majority of those who commit serious crimes of violence are brought to book. There are more police, better equipped to fight crime. Those who commit serious crimes can now expect much tougher punishment.

Early in the new Parliament the Criminal Justice Bill will have to be reintroduced. It will:

- Enable child victims of physical and sexual abuse to give evidence by a live video link in order to reduce the anguish which they would otherwise face;
- raise to life imprisonment the penalty for carrying firearms while committing a crime;
- tackle, by providing for reference to the Court of Appeal, the problem of lenient sentences which undermine public confidence in the criminal justice system;
- give victims of crime a statutory right to compensation under the Criminal Injuries Compensation Scheme;
- build on our previous measures stripping drug traffickers of the proceeds of their crimes and extend the same approach to other serious crimes.

We have already signed an extradition treaty with the United States which will make it more difficult for terrorists to escape British justice: now we will reform our own law on extradition so as to make still more effective the international war against crime.

**Building on strength:** We will continue to put a high priority on the fight against crime, so that the citizen can feel safe on the street or in his home.

We will:

- increase the number of police further to ensure a stronger police presence on our streets to combat crime and to protect the public;
- strengthen the law dealing with the sale and possession of offensive weapons;
- maintain the operational independence of the police and resist pressure from the Opposition parties to politicise the police by letting local authorities decide policing priorities;
- continue our present prison building programme and achieve more professional and efficient working practices in the prison service;
- institute a thorough review of the workings of the parole system.

Our approach in all these cases is strongly supported by the general public. We will go further in drawing on that support by promoting crime prevention. Already more than 29,000 Neighbourhood Watch Schemes have sprung up since the last election. We are committed to the success of this popular anti-crime movement.

We will build on the support of the public by establishing a national organisation to promote the best practices in local crime prevention initiatives.

We will seek ways to strengthen the special constabulary

**Tackling drug abuse:** We have taken the battle against drugs into every corner of the globe where production or trafficking flourishes. We have more than doubled the number of customs specialist drug investigators. We have strengthened the effectiveness of the police in the fight against drug abuse. Traffickers can now be sentenced to life imprisonment. They also stand to lose all the wealth generated by their evil trade under the most far-reaching asset seizure provisions anywhere in the world.

We have funded about 200 new drug treatment facilities. Our prevention campaign, targeted on youngsters at risk, is encouraging a strong resistance to hard drugs among teenagers.

The battle against drugs can and must be won. Already there are some signs that the heroin problem may have passed its peak. The cocaine explosion has never happened. It need never happen.

We will continue to make the defeat of the drug trade a key priority.

**Immigration and race relations:** Immigration for settlement is now at its lowest level since control of Commonwealth immigration first began in 1962. Firm but fair immigration controls are essential for harmonious and improving community relations.

We will tighten the existing law to ensure that the control over settlement becomes even more effective.

We now require visas for visitors from the Indian subcontinent, Nigeria and Ghana, both to protect genuine travellers and to guard against bogus visitors seeking to settle here illegally. We are tackling the problem of those who fraudulenty pose as refugees and who seek to exploit Britain's long tradition of giving refuge to the victims of persecution.

We want to see members of the ethnic minorities assuring positions of leadership alongside their fellow citizens and accepting their full share of responsibility. Racial discrimination is an injustice and can have no place in a tolerant and civilised society. We are particularly concerned about racial attacks. They require effective and sympathetic attention from the police and we have ensured that increasingly they receive it.

Progress towards better community relations must be on a basis of equality. Reverse discrimination is itself an injustice and if it were to be introduced it would undermine the achievement and example of those who had risen on their merits.

Immigrant communities have already shown that it is possible to play an active and influential role in the mainstream of British life without losing one's distinctive cultural traditions. We also want to see all ethnic mjnorities participating fully in British culture. They will suffer permanent disadvantage if they remain in linguistic and cultural ghettos.

**Reforming the law:** Since the last election the Government has made a number of important reforms of family law. These cover the law of maintenance and distribution of property following divorce, measures to prevent the abduction of children and the law of illegitimacy.

Particular laws which are not enforced or which are full of obvious anomalies risk bringing the law itself into disrepute. Changing tastes also require the reform of outdated laws which govern personal habits and behaviour: such reform should where possible be on the basis of a wide consensus.

The present laws on Sunday trading and licensing contain innumerable anomalies. They are frequently flouted.

We will therefore look for an acceptable way forward to bring sense and consistency to the law on Sunday trading.

And we will liberalise the laws on liquor licensing hours so as to increase consumer choice, but we will also keep a sensible limit on late-night opening.

We have already extended absent voting rights to new categories of electors. In particular we have enfranchised British citizens who have lived abroad for less than five years.

We propose to extend this eligibility.

**Northern Ireland:** The British people have shown their commitment to the people of Northern Ireland in the common fight against terrorism, and in helping improve the economic and social situation in the Province. We resolutely support the security forces in their outstanding service to the whole community.

We are determined that terrorism will not succeed; that the vital principles of democracy will be upheld; and that the people of Northern Ireland themselves should determine their constitutional

We will maintain, against Socialist opposition, for as long as is necessary the special powers which the police need throughout the UK to prevent terrorism and bring terrorists to justice.

There will be no change in the present status of Northern Ireland as part of the United Kingdom unless the people of Northern Ireland so wish it.

That is at the heart of the Anglo-Irish Agreement which was signed with the Republic of Ireland in 1985. The Agreement offers reassurance to both sides of the community that their identities and interests will be respected, and that any change in the status of Northern Ireland would only come about with the consent of a majority of the people of the Province. It commits both governments to work together in the fight against terrorism.

We will continue to work within the Province for a devolved government in which both communities can have confidence and will feel able to participate.

### LOCAL GOVERNMENT AND INNER CITIES

The Conservative view of local government is that local people should look after the interests of the local community which they were elected to serve, maintaining and improving essential services at a price people can afford. That is an honourable tradition of public service, still upheld by councillors in most local authorities.

But the abuses of left-wing Labour councils have shocked the nation. The Labour Party leadership pretends that this is a problem in only a few London boroughs. The truth is that the far Left control town halls in many of our cities.

The extremists have gained power in these areas partly because too few ratepayers have an interest in voting for responsible councillors pursuing sensible policies. Many people benefit from local services yet make little or no contribution towards them: this throws too heavy a burden on too few shoulders.

There is much else wrong with the present system of domestic rates. They seem unfair and arbitary. And companies are left with little protection against huge rate rises levied by councils controlled by Labour, Liberals and Social Democrats, which drive them out of business and destroy jobs.

We have acted to protect ratepayers' interests in a number of ways. The wasteful and unnecessary tier of the GLC and metropolitan counties has been eliminated—to the substantial benefit of ratepayers. Our rate-capping legislation—so bitterly opposed by the Labour, SDP and Liberal parties in Parliament—has protected ratepayers from huge rate increases. This year alone, 20 councils will be rate-capped—19 of them Labour and SDP — saving ratepayers several hunderd million pounds.

We will now tackle the roots of the problem. We will reform local government finance to strengthen local democracy and accountability.

Local electors must be able to decide the level of service they want and how much they are prepared to pay for it.

We will legislate in the first Session of the new Parliament to abolish the unfair domestic rating system and replace rates with a fairer Community Charge.

This will be a fixed rate charge for local services paid by those over the age of 18, except the mentally ill and elderly people living in homes and hospitals. The less-well-off and students will not have to pay the full charge—but everyone will be aware of the costs as well as the benefits of local services. This should encourage people to take a greater interest in the policies of their local council and in getting value for money. Business ratepayers will pay a Unified Business Rate at a standard rate pegged to inflation.

We will require local authorities to put out to tender a range of services, including refuse collection, the cleaning of streets and buildings, vehicle maintenance, catering and ground maintenance.

Ratepayers expect councils to provide their services as efficiently as possible. Yet some local authorities steadfastly oppose private sector companies tendering for services even though they could provide them more cheaply and more effectively. The Independent Audit Commission has estimated that some £500 million a year could be saved if all councils followed the practices of the best—sums which could be used to lower rates or improve services.

The Widdicombe Report into the conduct of local authority business painted a disturbing picture of the breakdown of democratice processes in a number of councils. We will take action to strengthen democratic processes in local authorities.

**Inner cities:** The regeneration of the inner cities must be tackled. The growth in our national prosperity in recent years has been founded on a rebirth of enterprise. But in many of our inner cities the conditions for enterprise and pride of ownership have been systematically extinguished by Socialist councils. For the sake of those living in our inner cities we must remove the barriers against private investment, jobs and prosperity which such councils have erected.

We are setting up five new Urban Development Corporations which will have the powers, resources and management structure to reclaim and redevelop great tracts of derelict land; these new corporations will follow the model successfully applied in London Docklands and on Merseyside.

Our Unified Business Rate will ensure that companies and jobs are not driven out of inner city areas by the high rates of profligate councils.

We have roughly doubled the resources to reclaim derelict land. We will improve procedures to accelerate the process of bringng vacant and under-used public sector land back into productive use.

We will build on the experience of Urban Development Corporations by creating new mini-UDCs. These will operate on a smaller scale in areas where the local authorities are failing to tackle the problem.

Our Urban Programme provides a range of grants to help industry and local councils undertake projects that will improve the environment and encourage new investment.

We are helping to lead local action through our five City Action Teams, 16 Inner City Task Forces and the Inner City Partnerships. All of them draw on government assistance and work with local business and local people to promote enterprise, employment and training.

Great cities are built on the enterprise and vitality of the individuals who live there. Our aim is to create a climate which encourages and harnesses that energy in the interests of all.

### A BETTER SOCIETY

**Planning and the environment:** Conservatives are by instinct conservationists—committed to preserve all that is best of our country's past. We are determined to maintain our national heritage of countryside and architecture. Since taking office we have:

- more than doubled the area of specially protected Green Belt: we will continue to defend it against unsuitable development;
- established new arrangements, backed with public funds, to make farming more sensitive to wildlife and to conservation;
- completed the work of listing pre-war buildings which receive legal protection and extended such protection to the best post-war buildings;
- established a new, powerful Pollution Inspectorate;
- passed new law on the control of pesticides and implemented new controls on the pollution of water;
- put in hand plans for cleaning up Britain's beaches, costing over £300m over the next four years;
- more than doubled spending after allowing for inflation on countryside and nature conservation since 1979;
- set in hand the establishment of the new Norfolk Broads Authority—a major environmental initiative;
- established a huge programme, costing over £[illegible]m, to clean up the environment of the Mersey Basin by the early years of the next century.

We are determined to maintain the Green Belt. We will protect the countryside for its own sake and conserve its wildlife, while allowing for the smaller scale and well planned developments which are needed to provide jobs and keep country areas thriving.

Wherever possible we want to encourage large-scale developments to take place on unused and neglected land in our towns and cities rather than in the countryside. We want to improve on our performance in 1986 when nearly half of all new development took place on reused land.

**A practical agenda:** Only the Conservatives have a serious costed agenda for further environmental action for another five years of Government. We will:

- continue our £600m programme of modifying power stations, to combat acid rain;
- adopt improved standards, in concert with Europe, for reducing pollution from cars. We have already reduced tax on lead-free petrol and will encourage its wider use;
- introduce new laws on air

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# The first eight years: achievements of the Conservative Government

Extracts from a Conservative Party document

### THE BRITISH ECONOMY HAS NEVER BEEN STRONGER OR MORE PRODUCTIVE

Inflation is at around its lowest level for 20 years.

In the 1980s Britain has topped the growth league of major European Community countries; in the 1960s and 1970s we were at the bottom.

We are entering our seventh year of healthy economic growth: by the end of this year, Britain's economy will have grown steadily at approaching 3 per cent for longer than at any time since the war.

Since the Conservatives took office productivity in British manufacturing industry has grown faster than in any other major industrialised country—faster even than Germany or Japan.

The profitability of industrial companies has risen to its highest level for over 20 years.

Capital investment has grown at nearly 4 per cent a year since the last election compared with just half a per cent a year under Labour.

Last year Britain exported more manufactured goods than ever before.

Britain's net overseas assets have reached their highest level since the war; they are worth over £100bn, second only to Japan's.

More than 500 extra new businesses have been starting up each week; last year new company registrations reached a record level.

Nationalised industries are far more efficient than ever they were under Labour: for instance, in the British Steel Corporation productivity has more than doubled since 1979; last year BSC made a profit for the first time in 10 years.

Over a third of State-owned industry has been returned to free enterprise—15 major businesses employing more than 600,000 people.

Free of State ownership and control, the profits of British Aerospace have trebled, those of Cable & Wireless are up fourfold, Amersham International's have doubled, Jaguar's are up a third and the National Freight Consortium's have increased sevenfold.

Two million people bought British Telecom shares; 5m bought shares in British Gas. Altogether the number of individual shareholders in Britain has trebled since 1979. One in five of the adult population is now a shareholder.

### LIVING STANDARD ARE AT RECORD LEVELS

In the last year of the Labour Government the takehome pay of the average family with two children was £73.45p a week—having hardly risen at all after allowing for inflation since 1974. This year it will rise to around £180 a week—an increase of 21 per cent more than inflation since we took office.

Pensioners' living standards have risen. The value of the State retirement pension has kept pace with prices. Taking into account pensioners' incomes from savings and other pensions, the average net income of pensioners rose by 18 per cent between 1979 and 1985 after allowing for price rises—more than twice the increase for the population as a whole. Low inflation and tax reductions will have continued to benefit pensioners since then. Under Labour, pensioners' real net incomes rose by only 3 per cent.

### TAX RATES ARE DOWN

The family man on average earnings now pays £500 less income tax a year than he would if Labour's income tax regime had remained in force.

The Conservatives have increased the starting point for paying tax (personal allowances) by 22 per cent after allowing for inflation.

We have taken almost 1½m people out of income tax altogether who would have paid tax if we had just raised the tax allowances under Labour in line with prices.

The basic rate of income tax has been cut from 33p to 27p in the pound since 1979.

The top rate of income tax has been cut from 83p (and 98p on savings income) to 60p in the pound.

Since 1979 Corporation Tax has been cut from 52p to 35p in the pound—among the lowest rates in the industrial world.

Corporation Tax for small businesses has been cut from 42p to 27p in the pound.

We have abolished four taxes completely: the National Insurance Surcharge (Labour's tax on jobs); the Investment Income Surcharge; the Development Land Tax; and the tax on life-time gifts.

### HOME OWNERSHIP INCREASED

Great strides have been made towards a property owning democracy through the spread of home ownership.

Two and a half million more families in Britain now own their homes than when we took office.

More than a million council homes have been sold in Britain since 1979, about two thirds of them to sitting tenants under our "Right-to-Buy" legislation.

Improvement of public and private sector housing has increased: in England the number of improvement grants paid has risen by over 70 per cent since 1979 and the number of renovations of council homes has risen by over 50 per cent in the same period.

### TRANSPORT IMPROVED

Our transport policies have put competition to work in the interests of the customer.

To provide better services for customers, licensing restrictions on coaches have been lifted; in the first three years after deregulation coach fares fell 40 per cent after allowing for inflation and long-distance services were transformed. We have also deregulated local buses; service levels have been broadly maintained but at a much lower cost in subsidy and new minibus services have started in more than 200 towns and cities.

Our drive for more competition in air services in Europe has led to lower air fares and a wider choice of airlines on many routes.

680 miles of new motorways and trunk roads and 67 bypasses have been built in England since 1979.

Since 1979 £3bn of new investment for British Rail has been approved, including the electrification of the East Coast Main Line.

The Channel Tunnel — entirely privately financed — will create some 15,000 new jobs.

### TRADE UNION DEMOCRACY RESTORED

In 1978-79 the Winter of Discontent brought Britain to a standstill — most commentators, at home and overseas, concluded that "the country was ungovernable." We introduced Trade Union legislation in 1980, 1982 and 1984.

Our step-by-step approach to Trade Union reform has ensured more democracy within unions and more co-operation in industry. As a result, in the past two years we have had the lowest number of strikes for almost 50 years.

### THE FIGHT AGAINST UNEMPLOYMENT IS BEING WON

Unemployment is on the way down: it has fallen in each of the past ten months (from July 1986 to April 1987): It is falling right across the country.

Three-quarters of a million more people are now self-employed than when we took office — that is more self-employment than for nearly 60 years. More than one in 10 of the working population are self-employed.

Over 1m extra new jobs have been created since the spring of 1983 — more than in the rest of the European Community put together.

The Youth Training Scheme (YTS) has been extended to two years and guarantees that no one under 18 need now be unemployed. Since YTS started in 1983, well over 1m young people have benefited; a further 400,000 young people will receive quality training this year alone.

The new Job Training Scheme will offer six months training to nearly a quarter of a million people every year who will have been unemployed for more than six months. It will be specially targeted on the under-25s.

The Community Programme, which provides useful work for the long-term unemployed, has now helped over three-quarters of a million people.

Under the Enterprise Allowance Scheme, more than 225,000 previously unemployed people have been able to set up their own businesses.

### A BETTER HEALTH SERVICE

The Health Service is providing more and better care than ever before.

This Government has increased spending on the NHS in England from £8.4bn in 1978-1979 (when Labour left office) to £17.1bn in 1987-88—an increase of 31 per cent over and above inflation.

Under the Conservatives, we have the biggest hospital building programme in the history of the Health Service. We have already carried through nearly 200 major hospital projects started since 1979.

Nurses' pay, which under Labour fell three years out of four, has under the Conservatives risen by 30 per cent over and above inflation.

Waiting lists are down by 70,000 across England as a whole since March 1979.

Since 1979 the number of heart by-pass operations has trebled; the number of hip replacements has increased by over 20 per cent; the number of cataract operations has increased by 50 per cent. Infant mortality has been reduced by more than one-third.

### IMPROVING STANDARDS IN EDUCATION

The drive to improve standards ain education has gathered pace.

We are spending more per secondary school pupil than ever before: spending has risen 19.7 per cent more than inflation since 1979 (England). Spending per primary school pupil has risen 16.8 per cent more than inflation over the same period.

Average class sizes have fallen: the pupil teacher ratio has improved from just under 19:1 in 1979 to 17.6:1 last year.

The proportion of three and four year-olds in nursery education has increased from 37 per cent in 1979 to 43 per cent last year.

100,000 youngsters will benefit from the pilot phase of our Technical and Vocational Education Initiative (TVEI): it is now going nation-wide at a cost of £900m to be provided over the next 10 years.

### FIGHTING CRIME

We have upheld the rule of law and backed those who enforce it.

Police manpower is up by more than 16,000 in England and Wales; more police officers are back on the streets.

Stiffer sentences are now avalable to the Courts for those who commit crimes of violence: those who commit the worst kind of murder must expect to serve at least 20 years; parole for those who commit serious violent crimes or are drug traffickers has been severely restricted.

The largest prison building and modernisation programme this century is well under way in England and Wales: three new prisons were opened in 1985 and 17 are under construction or planned.

29,500 Neighbourhood Watch Schemes have been set up in England and Wales.

The number of Customs specialist drugs investigators has more than doubled.

Drug pushers can now be deprived of the proceeds of their crimes and the maximum penalty for trafficking in drugs like heroin and cocaine has been increased to life imprisonment.

### SAFEGUARDING BRITAIN'S AGRICULTURE

We have striven to bring common sense to bear on the Common Agricultural Policy in the interests of taxpayers and consumers, while defending the interests of Britain's farmers.

Since 1979 productivity in agriculture in the UK has improved by well over 40 per cent; we are more self-sufficient in food; our exports of agricultural products have increased by more than a quarter.

This Government has substantially extended the Less Favoured Areas, in which special help is given to those who farm marginal land, so that they now cover more than half the farmlaid in the UK. We have successfully fought to retain our special beef premium to the benefit of both farmers and consumers.

Under this Government, food prices have risen even less than prices generally.

### BRITAIN'S DEFENCE

We have negotiated for peace while modernising our nuclear deterrent and our convetional forces.

The determination of Britain and other Nato countries to improve their defence—including the deployment of cruise and Pershing II missiles—has brought the Soviet Union back to the negotiating table and made possible progress on arms control.

Since Labour left office spending on defence is up by more than a quarter, after taking account of inflation.

Britain's independent nuclear deterrent is being modernised at a cost of just [illegible] pence in every pound spent on defence: Trident will ensure that the British people continue to have effective protection well into the 21st century.

Since 1979 55 major ships and submarines have been ordered for the Royal Navy; the RAF has benefited from the largest re-equipment programme for 30 years; and Challenger tanks have been ordered to re-equip seven regiments of the Army.

Armed Services' pay has been restored to a proper level; nine consecutive recommendations of the Armed Forces Pay Review Board have been fully accepted.

The taxpayer gets better value for money from defence spending: bureaucracy has been cut by a third and the share of defence contracts opened up to competition has doubled.

# CONSERVATIVE MANIFESTO

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pollution and dangerous wastes;

● double the funding for Environmentally Sensitive Areas;

● introduce new laws giving extra protection to the landscape of our National Parks;

● encourage more small woodlands in lowland areas through new grants;

● legislate to safeguard common land on the basis of the Common Land Forum, and continue to protect public access to the countryside through footpath;

● support scientifically justified, international action to protect the atmosphere and the sea from damage from pollutants;

● establish a National Rivers Authority to take over responsibilities for ensuring strict safeguards against the pollution of rivers and water courses and to pursue sound conservation policies. The water supply and sewage functions of the water authorities will be transferred to the private sector;

● set up safe facilities for disposing of radioactive waste from power stations, hospitals and other sources: we have asked UK NIREX to come forward with proposals for deep disposal.

**The arts:** Our international reputation in the arts has never been higher. Tourists flock to this country to enjoy the highest standards of theatre, music, artistic excellence and our museums. Art centres have nearly doubled in number since 1979. Attendances at theatres, concerts, cinemas and historic houses have all risen significantly.

Under the Conservatives, spending on the arts has risen by 15 per cent since 1979 after allowing for inflation. Over the same period, the Arts Council grant has risen from £61m to nearly £139m. And schemes like the Business Sponsorship Incentive Scheme have pushed the value of such sponsorship from £½m to £25m over the last decade.

In *future* years:

● We will maintain government support for the arts and continue to encourage private support.

We will make it a major objective to ensure that excellence in the arts is available in all parts of the country.

We will continue to safeguard our heritage, particularly through the National Heritage Memorial Fund, created by this Government in 1980 to assist the preservation, maintenance and acquisition of items of outstanding merit which might otherwise be lost to the nation.

We will encourage our great national museums and galleries, to make the *national* treasures which they house more widely accessible.

**Sport:** We have increased funding for the Sports Council from £15m in 1978-79 to £37m in 1987-88.

We will continue to work with the Council and, through our funding of the Sports Council National Centres, we will encourage the pursuit of excellence in our sports.

We want to encourage competitive sports through schools and clubs and we strongly oppose any attempts to ban competitive sports in schools.

We will continue to encourage schools and colleges to open their facilities for community use wherever possible to cooperate with other owners to achieve public access to sport premises.

Football hooliganism has tarnished the good name of British sportsmanship. We have acted to control the sale of alcohol at sports grounds. We have enhanced police powers to stop and search at football grounds and we have encouraged tougher sentencing of hooligans.

***Broadcasting:*** Our objectives for broadcasting are to provide consumers with a wider range of programmes, to encourage independent producers, and to preserve the high standards which we have traditionally enjoyed in British broadcasting.

Vital decisions will need to be made in the next Parliament. We have already published proposals for a less regulated and more diverse radio system. We shall follow a policy of more competition, variety and innovation in our domestic networks and encourage the export of British programmes to international audiences and markets. The development of the broadcasting industry will be allowed to occur wherever possible, commercially.

We will therefore introduce a major new Broadcasting Bill in the new Parliament. It will enable the broadcasters to take full advantage of the opportunities presented by technological advances and to broaden the choice of viewing and listening.

The broadcasters owe it to the lively talent in the independent sector to take more programmes from them.

We will ensure that at least 25 per cent of programmes broadcast on both ITV an BBC will be supplied by independent producers as soon as possible.

The responsibility for enforcing broadcasting standards must rest with the broadcasting authorities. The present Broadcasting Complaints Commission has a relatively narrow remit. But there is deep concern over the display of sex and violence on television. We will therefore bring forward proposals for stronger and more effective arrangements to reflect that concern.

We will remove the current exemption enjoyed by broadcasters under the Obscene Publications Act 1959.

**BRITAIN AND THE WORLD**

Britain is once again giving a lead in world affairs. We are forthright in support of freedom and justice. We stand up vigorously for Britain's interests abroad. Our voice is heard with respect on the crucial issues of war and peace, of finance and trade.

**Defending the nation:** The first duty of government is the defence of the realm and the preservation of peace. Nuclear weapons are vital to that task. In the 40 years since 1945, more than 10m people have died in wars around the globe. But there has been peace in Europe.

Conventional weapons did not succeed in deterring war. But nuclear weapons have prevented not only nuclear war, but conventional war in Europe as well. A strong defence policy has proved to be the most effective peace policy.

Labour's policy is to give up Britain's independent nuclear deterrent without asking anything in return. The Labour Party would require the US to withdraw its nuclear weapons from our soil and to close down Nato nuclear bases in Britain. It would remove Britain altogether from the protection of the US's nuclear umbrella.

That policy would abandon the defence policy followed by every British government, Labour or Conservative, since the Second World War. It would expose us to nuclear blackmail from the vast Soviet armoury, to which we would have no reply. It would inflict damage, perhaps fatal damage, on the Atlantic Alliance on which we and Western Europe depend for our security. It would strike at our relations with our most important ally, weakening the American commitment to Europe's defences. It would, in short, be the biggest victory for the Soviet Union in 40 years.

The defence policy of the Liberals and Social Democrats is muddled and confused. They could cancel Trident and they have no clear idea of what to put in its place. Their suggested replacements are much more expensive than Trident, which costs only 3p in every pound of defence spending. None would be available in time. None would provide equal security.

The Liberal and SDP defence policy would be one-sided disarmament by default or inadvertence. The only difference between it and Labour policy is a matter of timing. Labour would scrap Britain's deterrent immediately upon entering office. The Liberals and Social Democrats would allow it to wither on the vine.

Only the Conservative Party stands by the defence policy which every post-war government has seen to be necessary and which has kept the peace of Europe for more than a generation. We are not prepared to take risks with Britain's security:

We will stand fully by our obligations to our European and American allies in NATO.

We will retain our independent nuclear deterrent and modernise it with Trident. Because of improvements in Soviet defences we need the greater capability of Trident to retain the necessary deterrence which Polaris gives. No amount of money spent on conventional defence would ever buy us the same degree of deterrence.

We will continue to increase the effectiveness of our conventional forces, to provide them with the most modern equipment and to obtain better value for money from the defence budget. We have already increased defence spending by more than 20 per cent in real terms since 1979 and restored the pay and conditions of our servicemen.

But we also want to see a world in which there are fewer nuclear weapons. That is why Britain is at the forefront of arms control negotiations.

We will *strive* with our allies to achieve balanced and verifiable *agreements* for:

● the elimination of medium-range nuclear missiles in Europe and preferably worldwide;

● agreed constraints on shorter-range missiles;

● a 50 per cent cut in strategic nuclear missiles;

● and a world-wide ban on chemical weapons.

Western strength and resolution are essential to achieve these aims. That is why the Conservative Government deployed Cruise missiles. All the Opposition parties—Labour, Liberals and SDP — voted against deployment in the House of Commons. Yet it was the deployment of Cruise and Pershing *missiles which brought* the Soviet Union back to the negotiating table. We can look forward to an agreement this year which will, for the first time, reduce the numbers of nuclear weapons.

With the Conservatives Britain is also taking the lead in working towards greater trust and confidence between East and West, and to encourage changes in the East, where disillusion with totalitarian Socialism grows inexorably. The Prime Minister's historic visit to Moscow was a major contribution to this. We shall welcome any move by the Soviet Union towards respect for basic human rights. *But we must not* lower our guard. Strong defence is still the surest foundation for building peace.

**Europe grows in strength:** This Government has taken Britain from the sidelines into the mainstream of Europe. But being good Europeans does not prevent us from standing up for British interests. The agreement we negotiated on the Community Budget has saved Britain £4,500m since 1984.

We will continue to work for strict controls on the Community Budget.

Britain has led the way in establishing a genuine common market, with more trade and services moving freely across national boundaries.

We will campaign for the opening of the market in financial and other services and the extension of cheaper air fares in Europe.

We will also continue to work with our European partners to defend our own trading interests and press for freer trade among all nations.

All of this will help safeguard existing jobs and create new ones.

We will continue to play a responsible leading role in the development of the Community, while safeguarding our essential national interests.

**Firm against terrorism and aggression:** Britain has stood in the forefront in the fight against international terrorism. No democracy has a better record than Britain in standing up to the terrorists, who threaten the most basic values of civilised life.

We will seek the support of other democratic nations for the provisions of the European Convention on the Suppression of Terrorism.

We stood up to aggression in the Falklands and would do so again, if necessary. We want normal relations with Argentina. We have made numerous proposals to that end. But we stand by our pledges to the Islanders. We will not negotiate on the sovereignty of the Falklands.

**The wider world:** When other countries are prepared to act in good faith, the Conservative Government has shown the will and the diplomatic skill to find solutions to age-old conflicts and misunderstandings. Our record of tackling longstanding problems in Hong Kong, Zimbabwe and Gibraltar demonstrates our determination to seek peaceful and imaginative settlements of difficult international disputes. We have played a prominent part in bringing Israel and the moderate Arab states close to peace negotiations in the framework of an international conference.

We believe that the issues of Southern Africa, too, will be tackled best by dialogue, not violence. We want to see an end to apartheid in South Africa. But trade and economic sanctions would only serve to entrench apartheid, increase the risk of bloodshed and inflict severe hardship on black South Africans without bringing a settlement any nearer. Negotiations between the leaders of the South African people are the best way to resolve the problems of that unhappy country.

**Overseas aid:** We have the sixth largest aid programme in the western world, and the third largest in Europe, spending about £1,300m each year. Britain pioneered the reform of Europe's food aid policy, to make it more rapid and effective. We have substantially increased our support for the disaster, famine and refugee relief activities of voluntary agencies, as well as for their long term development work. We have led the way in giving help to the people of Ethiopia, ravaged by famine. Our "Aid and Trade Provision" funds have helped win good development contracts for British firms worth over £2bn since 1979.

We will maintain our substantial aid programme and direct it ever more effectively.

We will bring more young people from Commonwealth and other countries to train and study in Britain.

We ourselves have made positive and practical proposals for international action to help some of the poorest and most indebted countries of sub-Saharan Africa.

Labour's *proposals of selective* import controls would damage developing countries, open the door to protectionism and harm those poorest countries which most need our help. It would also be bad for Britain. The best contribution Britain can make to developing countries is to champion open trade and free enterprise abroad and to practise them at home.

**A fateful choice:** For decades there was basic agreement between political parties on defence and foreign policy. That agreement was firmly in the national interest. It has been torn up by our opponents.

Labour's policy would mean not a secure Britain, but a neutralist Britain. And eventually—for there can be no trifling with Soviet power—a frightened and fellow-travelling Britain. The Liberals and Social Democrats would take us more slowly down that same disastrous road.

This election matters more for our safety and freedom than any election since the Second World War.

**Conclusion: the way forward**

The proposals outlined in this manifesto are the extension of policies which have already proved outstandingly successful.

Today Britain is a stable and well-governed country which exercises great influence in the world.

We seek the support of the British people to make this achievement truly secure, to build upon it and to extend its benefits to all.

*No previous government with* eight years of office to its credit has ever presented the electorate with such a full programme of radical reform.

No other party, presenting its manifesto proposals to the nation, has been able to support them with such a solid record of achievement.

We recommend them with confidence to the British people.

# LABOUR ELECTION MANIFESTO

Roy Hattersley, deputy leader, with Neil Kinnock, Labour leader, at the Queen Elizabeth II conference centre in London yesterday

**INTRODUCTION BY THE LEADER OF THE LABOUR PARTY**

Every election is a time of decision. But this General Election on June 11 faces the British people with choices more sharp than at any time in the past fifty years.

The choices are between Labour's programme of work for people and Tory policies of waste of people: between investment in industrial strength, and acceptance of industrial decline; between a Britain with competitive, modern industries, and a Britain with a low tech, low paid, low security economy increasingly dependent upon imports.

The election will decide whether we and our children are to live in a country that builds high standards of care for all who need treatment for illness, pensions in retirement, good grounding in education, fair chances to get on; or in a country where the Conservatives go on running down the vital health, education and social services of every community, imposing higher charges and lower standards.

This election will decide whether our country is to be a United Kingdom or a divided kingdom; one that is brought together by proper provision, prudent investment and concern for the interests of the whole nation, or one that is pulled apart by poverty, cuts, increased privilege for the richest and neglect for the rest.

This election will decide whether we put our resources into the real defence provided by a modern, well-equipped army, navy and airforce safeguarding our country and supporting NATO; or spend those sums on maintaining an ageing system of nuclear weapons, while buying a new generation of missiles which cannot give our country effective defence. It will decide whether Britain is part of the international process of nuclear build-down or ruled by a government uniquely intent upon nuclear build-up.

We already know what a third term for Mrs Thatcher would mean for the people of Britain.

Under the Tories there have been:

Eight years of record unemployment, relentless industrial closures and redundancies, of flooding imports and shrunken investment.

Eight years of the highest ever tax burden on the family and the nation as Vat, National Insurance, rates and fees have all been put up in a shift to taxes on spending and employment.

Eight years of cuts and closures and charges, of intensified *means tests and reduced* services.

Eight years of increased state control, of centralising government, of abolition of rights of representation and negotiation.

*Eight years of rising crime,* of greater insecurity on the streets and housing estates and in the home.

Eight years of meanness towards the needy in our country and towards the wretched of the world.

Eight years of growing division—in health, in opportunity, in housing conditions, in work and in income—between regions, communities, classes, families, white and black, rich and poor.

The Tories say they are "proud of their record." So proud indeed that they would want to do more of the same if they were re-elected.

Their plans for a poll tax would penalise millions of families, pensioners and young people. Their refusal to provide the resources needed for the Health Service and their plans for imposing further payment and privatisation will hit everyone in the service and everyone needing to use it.

They would, if they won power again, privatise water, electricity, steel and other services, and industries built up by public investment over the past years. They want to impose penal increases in rents for private and public tenants. They are committed to introducing compulsory labour for young unemployed people.

All this and worse would come with *a third term of Tory* government.

Britain cannot afford more of that run-down, sell-off and split-up, nor all the costs and waste that they bring.

Britain does not have to.

Britain can stop the rot—but only by voting Labour.

There is no other way to prevent 13 years of Thatcherism.

# A programme to put Britain back to work

## THE LABOUR MESSAGE

**BRITAIN** is crying out for change. Only a Labour government can bring it about.

**Mending divisions, building new strengths** will need determination and realistic priorities.

Commonsense and the common interest require that the Tory philosophy of selfishness and short-term gain is replaced by the democratic socialist philosophy of community and caring, of investment in people and in production.

We must as a priority tackle the immediate tragedy and waste of unemployment. We must commit resources to modernising and strengthening the industries and services that earn Britain a living. We must ensure the continuity of expansion that is necessary for a lasting economic recovery.

That is our strategy.

It begins from the understanding that people are Britain's most precious confidence that, with the right resource. It is rooted in the *skills, the right equipment* and the backing of a government that is committed to encouraging enterprise and innovation, Britain's people can make our country more efficient, more competitive and more socially just.

It is a message of hope and confidence—the alternative to the divisive and dictatorial approach of the Conservatives.

We do not believe that everything could or should be done by government. But we know, from our own history and from the example set by our competitors, that national economic success cannot be achieved without government.

Britain *will* win with a Labour government that invests to enable people to use their abilities and to stimulate modern training, research, development, production and marketing. These are the ingredients of economic vitality, and the foundations of fairness.

No party other than Labour can possibly win enough seats to form a government.

The Liberals and SDP know that. Their hope is to profit from confusion. To divide the non-Conservative vote in such a way as to make them the "hook" in a "hung" Parliament and have power far beyond their responsibility.

And, while one of their leaders clearly favours an arrangement to sustain a Conservative government, the other hasn't the strength to stop him.

That offers no way ahead for a nation that needs to get on with investing for change, for quality, for confidence in the future.

Proper support for education, strengthened research and development and long-term, low interest finance for industrial growth are all essential if Britain is to gain the vitality necessary to outpace competitors who have been building these assets for years.

They are essential too if we are to generate the wealth needed for the security, care and opportunity fundamental to the individual freedom of women and men of all ages and origins. When our country faces the common pressures on the environment, the common dangers of crime, the common costs of unemployment, under-investment and under-performance together, our country has every commonsense reason to meet those challenges together.

That is democratic socialism in action. And just as a family *uses its combined spirit and* resources to overcome crisis, so Britain can once again make common cause to achieve common good.

Only a Labour government can give that lead. Only we are committed to such concerted action. Only we believe that the whole nation should win and can win.

That is why Britain will win, with Labour

**THE PRIORITY PROGRAMME**

For our first two years in government we will concentrate resources on the essential tasks of combating unemployment and poverty. In the course of that action, we will strengthen the health, housing, education, social services and crime-fighting services that are vital to social and economic well-being, and begin to rebuild our manufacturing industry.

Clearly, all other programmes that require substantial public finance must take lower priority in terms of timescale and public resources.

**The jobs programme:** Immediately after the election the Labour Government will call together a National Economic Summit to assess fully the condition of the economy and set the recovery programme in motion—producing the jobs that need to be done by people who need to do them in a country that wants them done.

The Summit will establish the first stage of the National Economic Assessment. This will identify the concerted action that will need to be taken by government, employers in the private and public sectors and trade unions to increase investment, contain inflation and achieve sustained recovery.

We will reduce unemployment by 1m in two years as the first instalment in beating mass unemployment.

Half a million jobs will be generated in private industry and in the public sector by the *repairing and building of the* houses, the hospitals and schools, the transport improvements and sewers that the nation needs. This will be achieved by public investment and by reducing employers' National Insurance contribution in targeted areas.

Another 360,000 new jobs and training places will be created. These will provide new skills for young people and adults—with proper opportunities for women.

A further 300,000 new jobs will improve the health and education services and the neglected community and caring services. The depleted customs *services will be strengthened in* the fight against drugs. The revenue and benefit departments will be staffed to increase efficiency.

We will extend the voluntary Job Release Scheme to men over 60 so that those who want to retire early vacate jobs for those who are currently unemployed. This could take as many as 160,000 people out of unemployment and into work.

**The anti-poverty programme.** The spread of poverty in the past eight years has stained the whole nation, and widened misery and disadvantage amongst old and young. Much of it is the result of deliberate *government policies. Millions* of poor people endure it in despair. Millions who are not poor regard it as a disgrace. The Labour government will combat poverty directly.

We will immediately increase the single pension by £5 a week and the pension for a married couple by £8, as the first step in re-establishing a link between pensions and average earnings or living costs, whichever is the most favourable to pensioners. We will begin the abolition of the TV licence fee for pensioners.

We will provide pensioners on supplementary benefit and others on low incomes with a £5 winter premium to help with *fuel bills. We will begin* discussions with the fuel industries with a view to phasing out standing charges.

We will fully restore the State Earnings Related Pension Scheme as part of the process of achieving our objective of a pensions level of one-third average earnings for single people and half average earnings for married couples.

We will restore and increase the death grant.

We will increase child benefit by £3 a week for all children, raise the allowance to the first child by £7.36, and increase one-parent family benefit by £2.20.

We will restore and increase the maternity grant.

We will start to phase in a new disability income scheme and provide resources to give special support to young people with disabilities. Our special Minister for the Disabled will be put *in charge* of our programme for the disabled.

We will extend the long-term supplementary benefit rate to the long-term unemployed.

We will implement a comprehensive strategy for ending low pay, notably by the introduction of a statutory national minimum wage. This will be of particular benefit to women workers, and will help lift families out of poverty.

**The anti-crime programme:** We will introduce crime prevention grants for home-owners and tenants.

We will work with the police to get more police on the beat. Uniformed police officers will be relieved of non-law-and-order tasks which take them away from crime prevention, pursuit and detection.

We will reverse the Tory cuts in the number of those who can claim criminal injuries compensation. We will give the Criminal Injuries Compensation Board more staff to cut the all-time record 84,000 queue awaiting compensation.

**Paying for the recovery programme:** These immediate programmes will cost £6bn a year net for the first two years.

We will pay for them by:

● Putting directly into generating 300,000 jobs the money that would be used up by the Thatcher government on its 2p income tax bribe.

● Adopting the same practice as most successful industrial countries and companies, by prudently borrowing £3bn for useful wealth generating national investment.

We will reverse the extra tax cuts which the richest 5 per cent have received from the Tory government and allocate *that money instead to the most* needy. We will also bring forward other reforms to capital taxation — including the introduction of a wealth tax, which, while applying to only the wealthiest 1 per cent of the population, will, over the years, bring a significant contribution from those in our society best able to pay.

**Changes without charges:** Apart from legislating where necessary for the Recovery Programme, the new Parliament will swiftly enact many other worthwhile measures. These will cost little to implement but produce significant improvement in the quality of administration, provision and response to the needs of ordinary citizens.

They will include:

● A Minister for Women, with a place in the Cabinet.

● A Freedom of Information Act, to be accompanied by the repeal of Section Two of the Official Secrets Act.

● Parliamentary scrutiny of the Security Services.

● Appointment of an Education Ombudsman.

● Appointment of an Ombudsman for Police Complaints.

● An Energy Efficiency Agency to co-ordinate conservation programmes for domestic and industrial energy users.

● A new Ministry of Environmental Protection.

**Programme for a five-year parliament:** Labour's Programme for Recovery will be the start of a strategy for a full Parliament. We have to halt the decline in manufacturing industry, not only to generate jobs and increase our world trade share but to create the wealth to finance the rescue and expansion of education, health, housing and the social services.

**NEW STRENGTH FOR INDUSTRY**

For eight years British industry has been left to drift and decline. Our oil revenues have been wasted and the City has concentrated upon short-term movements of capital at the expense of British manufacturing industry. The huge capital outflow of £110bn since 1979 is ruinous evidence of the Tories' lack of concern for the strength of the British economy.

Labour is committed to rebuilding our industrial base. Our country must make the best use of computers and information technology to develop the modern means of making a living as the oil runs down and the pressures of technical change and international competition intensify.

We will:

● Establish a capital repatriation scheme using the tax system to attract and retain British savings and investment in Britain.

● Set up the British Industrial Investment Bank, with strong bases in Scotland, Wales and English regions, to ensure finance for industry where it is needed, when it is needed and on terms which encourage long-term development.

● Implement a dynamic and properly funded regional policy. This will include the establishment of Regional Development Agencies starting with the North, North-West, Yorkshire and Humberside; the promotion of local and regional enterprise boards; greater scope for local authorities to participate constructively in economic development; and creating high technology innovation centres throughout Britain.

● Create a new Ministry of Science and Technology to promote a major increase in research and development.

It will co-ordinate the activities and budgets of government departments involved in these areas and will encourage, in conjuction with industry and the scientific community, the full application of science to industrial processes and products.

● We shall extend social ownership by a variety of means, as set out in Labour's detailed proposals. In particular, we will set up British Enterprise, to take a socially owned stake in high-tech industries and other concerns, where public funds are used to strengthen investment.

Social ownership of basic utilities like gas and water is vital to ensure that every individual has access to their use and that the companies contribute to Britain's industrial recovery, for instance, by buying British. We shall start by using the existing 49 per cent holding in British Telecom to ensure proper influence in their decisions. Private shares in BT and British Gas will be converted into special new securities. These will be bought and sold in the market in the usual way and will carry either a guaranteed return, or dividends linked to the company's growth.

● Encourage the establishment and success of co-operatives of all forms.

● Strengthen the Department of Trade and Industry as the spearhead of this new national industrial strategy.

● Bring in a stronger regulatory framework to ensure honest practice in the City of London and introduce new safeguards on mergers, takeovers and monopolies to protect our national industrial, technological and research and development interests.

**Plan for training:** For modern, wealth-creating industry we need a well-trained workforce. British industry now carries out less than half of the training of our main com-

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petitors. Labour will therefore establish a national training programme to bring about a major advance in the spread and standard of skills.

For young people we will establish an integrated, high quality Foundation Programme that will guarantee for all 16 year-olds at least two years of education, training and work experience according to their needs.

The Adult Skillplan will develop lifelong training and education for everyone needing to supplement and update skills in work, with particular emphasis given to training for women.

The Jobs, Enterprise and Training Programme will expand existing programmes for unemployed people with a guarantee of a job or new skill for the long-term unemployed.

**A sensible energy policy:** Efficiency in industry and security in the community both depend on reliable and safe supplies of energy available at acceptable cost. Britain's oil reserves have a limited life. We have huge reserves of coal which will last for centuries. Labour's co-ordinated energy programme will ensure the most sensible use of our reserves while protecting our environment and stimulating employment.

Labour will initiate a major energy conservation programme and ensure that Britain develops *the full potential of its coal*, oil and gas resources, whilst gradually diminishing Britain's dependence upon nuclear energy.

We will invest substantially in research into, and development of, the renewable energy resources as part of the alternative means of power.

We will not proceed with the building of the proposed Pressurised Water Reactor at Sizewell.

We share national concern about the problem of nuclear waste. We will ensure a safe future for Sellafield and develop a new strategy for the monitoring, storage and disposal of nuclear waste.

Labour will take effective steps to improve the service provided by the energy industry to energy consumers. These will cover quality of supply, frequency of metering, general service arrangements and proper provision for the disabled, those in poverty and others with special needs.

**A prosperous agriculture:** A more efficient agricultural industry can clearly make a valuable contribution to Britain's recovery. We will support good environmental practices in agriculture.

To give Britain's producers the backing they need, the burden of agricultural support must be shifted from consumers. The direction of support must *be shifted away from blanket* support for commodities, towards helping the farmers who need it most, such as those who work in the hills or on marginal land. To help bring this about we will introduce new, long-term programmes for agriculture.

We will also help new farmers and young farmers by offering farms to rent. And we will reverse the cuts in the Agricultural Development and Advisory Service and research.

## FREEDOM AND FAIRNESS FOR ALL BRITAIN'S PEOPLE

We are determined to make Britain a fairer and freer society.

To us and to the majority of the British people a civilised community is one in which citizens band together to provide, *out of community resources to* which all contribute, essential services like health, education and pensions that the great majority of people cannot afford to provide for themselves at time of need.

When the Tories talk of freedom, they mean freedom for the few, for those who can afford to buy privilege. What they mean, as their record so plainly shows, is more tax cuts for the rich and less help for the poor and for that great majority who are neither rich nor poor.

Labour's objective is to broaden and deepen the liberty of all individuals in our community to free people from poverty, exploitation and fear; to free them to realise their *full potential*; to see that everyone has the liberty to enjoy real chances, to make real choices.

It means collective provision for private use. The British people know that this is the most effective way for them to secure their freedom as individuals while meeting the moral obligations which they feel towards others and seeing that fairness is a way of *national life, not just a fine* word.

These values are the essence of our democratic socialism.

**Investing in health:** Labour's proudest achievement is the creation of the National Health Service. The Conservatives voted against it then. All who use and value the service know only too well how it has been neglected and downgraded by today's Tories.

Labour will establish the NHS in its rightful place as a high quality service for the prevention and treatment of illness, free at the time of use to all who need attention equipped to meet the changing pressures of need as they relate, for instance, to an ageing population and the requirements of proper provision for people suffering from mental illness.

The biggest single deficiency in the NHS today is the excessively high hospital waiting lists which, under the Tories, are increasing year by year. We shall speedily reduce them by computerising bed allocation, encouraging more consultants to work full-time for the NHS and *targeting increased resources* where waiting lists remain excessive.

The basis of the NHS is the Family Doctor Service. We shall act to improve it, with shorter GP patient lists, more convenient surgery hours, more *choice and information for* patients.

We will develop local family health care teams and more local health centres.

Women's health care has been seriously neglected. Our Charter for Women's Health *will include a network of Well-*Women Clinics, and a computerised call and recall screening system as a universal service for all women at risk of cervical and breast cancer. We shall see that all women have the chance to see a woman doctor if they choose.

We will step up the fight against AIDS by increasing research resources to find a vaccine or cure and also ensure adequate resources for the supply of drugs capable of arresting the affliction.

We will improve outpatient *and emergency facilities and* ambulance service and repair and build hospitals. We intend to improve both the quantity and quality of service for the National Health. The Tories have increased prescription charges twelvefold. We will begin to reduce them with the purpose of securing their eventual abolition.

Labour will ensure that nurses get proper and justified pay increases by right and regularly, not exceptionally as pre-election sweeteners. Other hospital staff, on whom the effective running of the service depends, must also be fairly rewarded as part of the effective health team.

Privatisation means a Health Service run for profit rather than in the patients' interests. Labour will end privatisation in the NHS, relieve the pressure on NHS facilities by beginning to phase out pay beds and remove public subsidies to private health.

**A caring community:** The quality of life of the elderly and of disabled people can and must be improved by community services. We believe that retirement should be comfortable and interesting—a time of freedom and choice, not anxiety and loneliness. We believe that disability should not be a disqualification from good standards of living and liberty.

Apart from our commitment to higher pensions and the beginning of a new disablement allowance. Labour will support the National Health Service and local government in providing more meals on wheels, home helps, chiropody services and health visitors.

We also *recognise* the immense contribution of the three million people—mostly women—who care for their elderly, infirm and disabled relatives at home. They save the community huge sums of money, often at considerable sacrifice to themselves. The Labour government will consequently provide a career's allowance to give extra help to those who serve their loved ones and our society so well.

We appreciate and will support voluntary efforts that supplement services which are essential to the community. We share the view of many who are engaged in such efforts that they achieve best results working in the context of high quality public provision.

**Education for Britain's future:** Our children are our *future. We have a moral* and material duty to see that children and young people are fully equipped to deal with the complexities and challenges which face them now and which they will meet as citizens; parents and workers in the future.

They must be provided with a system of education that enables them to control that future. We must see that it is democratic and just, that it is creative and compassionate, and that it is one in which they can fully exploit the advantages *of science and technology* with confidence and in safety.

In pursuit of those objectives, Labour will invest in education so that the abilities of all children and adults from all home backgrounds and in every part of our country are discovered and nourished.

We will make nursery education available for all three- and four-year-olds whose parents want this opportunity. We will make provision for smaller classes and ensure that children have up-to-date books, equipment and buildings without having to depend on fund-raising for those essentials.

The entitlement to free school meals and the restoration of nutritional standards are, like the strengthening of the school health service, commitments which are necessary to safeguard the physical and social well-being of growing children.

We will see that teachers are recognised properly as well qualified professionals, in their systems of rewards, in the procedures for negotiation of their employment conditions and in participation in the development of education.

In addition we shall work with local education authorities to secure a flexible but clear core curriculum agreed at national level, a School Standards Council, and a new profile of achievement recording individual progress through *school for all pupils.* We will improve links between schools and home so that parents and teachers act in partnership to foster the best interests of children.

We shall foster achievement with other policies such as providing proper funding for the GCSE curriculum and examination, for improved supply of teachers and equipment for science subjects so that girls as well as boys increase science learning. There will be maintenance allowances for 16- to 18-year-olds whose family *circumstances would otherwise im*pede their further education.

We will spread the provision of a comprehensive tertiary system of post-school education.

These policies will all contribute to raising standards of performance in schools. At the *same time as we improve* the quality of publicly provided education, we shall end the 11 plus everywhere and stop the diverting of precious resources that occurs through the Assisted Places Scheme and the public subsidies to private schools.

Labour values the research and teaching contribution made by Britain's higher education system. We will ensure that our universities and polytechnics get the resources they need to restore and expand the opportunity for all qualified young people seeking higher education to secure places. We will ensure that more adults have access to higher education to give them the "second chance" of personal development.

We will also invest in research in higher education, in order to provide the facilities and opportunities necessary to *sustain standards of excellence*, to retain and attract the highest talents and to encourage the *industrial and commercial* application of research output.

Education for life through a well-funded adult education service will help to provide the *means* by which rapid economic and social change can be embraced.

**Real choice in housing:** Public funding for housing has fallen by 60 per cent during Mrs Thatcher's eight years in office. Far fewer homes are being built. Millions of dwellings are in serious disrepair. Yet there is record unemployment among building workers. This policy is immoral and grossly inefficient. Labour will reverse it. We will also improve the quality of housing workmanship and establish a new system of *registration in the construction* industry.

We will launch a major house-building and public and private sector housing renovation drive as part of our jobs programme and to combat the problems of bad housing, over-crowding and homelessness. Owner-occupiers will benefit from increased availability of improvement grants.

We will maintain mortgage tax relief, at the standard rate of income tax. To assist house-purchasers will we introduce a housing "log book," giving each *dwelling's history*, condition and construction so that purchasers will know exactly what they are buying. This will be transferred with the sale.

For council tenants, we will maintain the right to buy. Local authorities, at present limited by the Tories in using the receipts from council house sales, will be required to use these proceeds to invest in new housing. For the millions who choose to remain council tenants, we will give a legal right to be consulted about rents, charges, repair and *improvement programmes.* Tenants' associations will be given representation in the decision-making structure and a say in spending budgets on their estates.

Groups of tenants who want to take over the running of their homes will have the right to set up management co-operatives.

Leaseholders who own their homes will be given the legal right to acquire their freeholds at fair prices and without the costly current impediments to that right. Leaseholders in flats will get the legal right to hire and fire the managing agents in blocks of flats. They will be empowered to have the freeholder's accounts examined by an auditor of their choice and be *given* the legal right to extend their lease.

Security of tenure will be *protected for private tenants.* These tenants will be given a legal right to get repairs done.

**Protecting our people:** The Thatcher Government has broken its promises on law and order. *Last year 4,311,000* crimes were committed in Britain. The clear-up rate fell to 32 per cent. Millions of women are scared to go out at night. Many old people lock themselves into their homes. Drug trafficking is increasing.

Labour will take urgent action to make people safer.

Our crime prevention programme will:

● Help local councils to implement a Safer Streets policy, with more street lighting, more caretakers, park-keepers and other public employees whose presence deters crime.

● Bring in a Safe Estates *Policy, assisting councils to pro*vide stronger locks, stouter doors and vandal-proof windows for tenants and home-owners—especially older citizens—who have difficulty in meeting the costs of such security improvements.

● Introduce a Safer Transport policy, to protect passengers and crews, including better services, especially at night, adequate staffing, better sited bus stops and well-lit stations with alarm buttons.

● Lay down crime prevention standards for buildings, open *spaces and vehicles to combat* vandalism and to deter criminals.

● Combat violence against women—specially domestic violence—by seeing that the laws that already exist against beating and abuse are vigorously enforced.

Our victim support programme will fund a national network of victim support schemes, providing practical help to victims of all crime, ranging from victims of rape and child abuse to mugging and burglary victims.

*We shall assist families and* support groups in their efforts to work with professionals in the health, education and other services and within the community to deal with the great and growing problem of drug abuse.

Locally elected police authorities will be given clear statutory responsibility with the police to enforce the law and uphold the Queen's peace. The police themselves will remain responsible for all operational matters.

Fraud in the City of London is a serious crime. Too many get away with it. Labour will bring in effective regulations by establishing an independent statutory commission.

**Making travel easier:** Efficient, inexpensive public transport is essential in any society. Tory policies have made travel more difficult by cutting services and pushing up fares. De-regulation of buses has brought chaos to many parts of the country both in towns and cities and in the rural areas where efficient and cheap public transport is so important.

Labour will invest to co-ordinate and improve bus and rail *services*, which will improve travel and reduce congestion. *There will be Local Transport* Plans for every area.

Action will be taken to keep fares down. There will be good concessionary fare schemes for local travel for pensioners and people with disabilities.

We shall promote services for those with special needs, such as dial-a-ride and taxicard schemes offering cheap travel for the disabled.

We shall invest to ensure a continuing future for British Rail Engineering as a high-quality supplier both for British Rail and to world markets.

**A safer environment:** The countryside and the urban areas all suffer from pollution and the misuse of the environment. Labour will establish a Ministry of Environmental Protection to take positive action to safeguard the quality and safety of life.

We will:

● Set up an Environmental Protection Service and a Wildlife and Countryside Service.

● Extend the planning system to cover agricultural forestry *and water developments* requiring them, and industry, to take account of environmental considerations.

● Invest more in land reclamation and cleaning up, in recycling and conservation, in development of new products, processes and pollution control equipment. This will not only make the country cleaner but will create jobs as well.

● Take action to deal with acid rain.

● Stop radio-active discharges into our seas and oppose the dumping of nuclear waste at sea.

● Provide for better monitoring, inspection and enforcement of pollution control, to cover areas ranging from air pollution to beaches, from hazardous chemicals to food additives, and from water quality to vehicle emissions.

● Protect green belts and other specially designated areas.

● Bring in a new Wildlife and Countryside Act and provide for public access to all common land, mountain, moor and heath.

● End all forms of organised hunting with hounds. Special account will be taken of the conditions applying in National Parks. These changes will not affect shooting and fishing.

● Update animal protection legislation — for example, to eliminate unnecessary experimenting on live animals.

**Strengthening democracy:** We will seek to strengthen parliamentary democracy and introduce state aid for political parties, along the lines of the Houghton Report.

We shall establish —a new democratically-elected strategic authority for London and consult widely about the most effective regional structure of government and administration in England and Wales.

**Scotland:** We shall legislate in the first Parliamentary session to establish a democratically-elected Scottish Assembly *in Edinburgh*. This will have a wide range of powers over health, education and housing and over significant aspects of industrial and economic policy. It will take responsibility for changes in the structure of Scottish local government.

**Wales:** Wales and the Welsh economy will clearly benefit from Labour's programme for investment in jobs and vital services. In addition, the Welsh Development Agency will be given greater powers and funds —and there will be a new Wales Economic Planning Council. Welsh agriculture will benefit from our measures to help the livestock farmers—especially the marginal and hill farmers.

A separate Arts Council for Wales will be established and the development of the use and choice of the Welsh language will be encouraged.

**Northern Ireland:** Labour's policies for economic renewal are essential to combat the record unemployment and social deprivation in Northern Ireland and to encourage the economic security which is fundamental to the develop*ment of harmony and trust in* the community.

We believe in a united Ireland: to be achieved peacefully, democratically, and by consent. We consequently support the Anglo-Irish Agreement and its commitment that there should be no change in *the constitutional position* of Northern Ireland without the consent of the majority of the people who live there. No group or party will be allowed to exercise a veto on political development, or on policies designed to win consent.

We will combat para-military violence from wherever it comes. We will promote discussions aimed at encouraging mutual confidence and eliminating conflict whilst ensuring that the respective identities and basic rights of both communities will be protected. We will *replace present strip-searching* practice with more effective and acceptable security measures.

**Local democracy:** The Tory government has undermined local democracy and plans to continue to diminish the importance of votes in local elections.

It has made huge cuts in rate support grant and imposed financial penalties to prevent councils maintaining and improving the quality of essential local services. Employment, and sensible and sensitive investment in local communities and their services, have been damaged.

Labour will restore the right of councils to decide their own policies and plans, which will be subject to the decisions of local people at annual local elections.

We will halt the cuts in rate support grant and end financial penalties. We will make the legal liabilities of councillors similar to those of Ministers and Company Directors by ending surcharge and disqualification except for criminal offences.

We will abolish the Rates Act and repeal the legislation which established the poll tax in Scotland.

We will give local authorities the necessary powers to enable them to build on existing successful initiatives for enterprise and employment, to develop new technologies and to train young people.

Labour will examine the structure of local government to ensure that it is democratic and effective. We will establish a new Quality Commission to ensure the spread of "best practice," efficiency and high standards of local authority provision and response to the public.

**New life for inner cities:** Except where it has turned areas over to speculators so that they can create luxury accommodation at astronomical prices, this government has left inner-city areas to rot.

Experience has shown that the Conservatives' City Action Teams have never had the means or the purpose of making any real impact on inner city problems.

*Tory cuts in funding* and in housing, together with mass unemployment, have turned too many of our urban areas into dingy, hopeless places.

Yet the people who live there, given the chance, have the zest and initiative to make these areas thrive socially and economically.

Labour will launch a drive against inner-city deprivation both as a way of generating employment and as a means of making such areas safer and better places to live.

Labour's approach will be to develop the partnership between central and local government, with the direct participation of the voluntary and private sectors.

We will:

● Give local authorities in key areas the power to declare Public Action Zones. In these areas, local councils will have additional resources and powers to undertake programmes of investment. Land will be identified for housing, jobs and amenities and extra government resources allocated to help with comprehensive regeneration. Local people will be fully consulted about their needs and ideas.

● Strengthen the Urbane Programme and Partnership Schemes.

● Make Urban Devlopment Grants available for local needs.

● Increase resources for reclaiming derelict land.

**Rural areas:** Under the Tories, the problems of the rural areas have become steadily more serious—the lack of jobs, the poor housing, and the loss of buses, post offices, shops and schools.

Labour will give our rural communities the chance to thrive again. Our policies include better public transport, new mobile facilities for health care and social services—and extra help to keep open local schools and post offices.

## ENHANCING RIGHTS, INCREASING FREEDOM

Under the Conservatives, Britain has become a harsher place. Freedoms built up over generations have been weakened or removed. Labour will restore and enhance those freedoms in a Britain where life can be more pleasant and fulfilling.

We believe that positive steps are needed to help women and ethnic minorities get a fair deal, and to attain more democracy in the workplace. In addition, we will take steps to ensure that homosexuals are not discriminated against.

**Women's rights:** More than half of Britain's people—the women of our country—are still denied many essential rights. Labour's Ministry for Women will make sure that, in framing their policies, all government departments listen and respond to women's needs and concerns.

In particular, women must have the right to work and equal rights at work. In addition to our new provision for training opportunities and protection against discrimination, Labour will help the large number of women who are part-time workers. We will legislate for them to have the same hourly rates, rights to sick pay, paid holidays and job security as full-time workers.

We will give homeworkers the status and rights of employees; introduce effective laws for equal pay for work of equal value; provide better-paid leave for parents when their child is born; and encourage a shorter, more flexible working week.

**Democracy in the workplace.** Workers' rights have been eroded, or in some cases removed entirely, during the Thatcher years. Labour's policy for new rights and responsibilities means legislation to foster good industrial relations and democratic participation in industry and trade unions. We believe that the law should be used to enlarge, not *diminish*, the freedom of workers to control their environment.

We will:

● Replace Tory legislation that gives employers and non-unionists the means to frustrate legitimate trade union activity. *News laws will* strengthen the legal rights of representation, bargaining and trade unionism that are essential in a modern democracy.

● Improve the protection available against unfair dismissal. We shall make the legislation apply from the time of employment. Reinstatement will be the normal outcome of a successful finding of unfair treatment. We will ensure that justice is done in cases where miners have been unfairly dismissed.

● Extend employment protection to all workers, including part-timers.

● Improve statutory protection in respect of health and safety at work.

● Restore provision for fair pay, such as the Fair Wages Resolution, Schedule 11 of the 1975 Employment Protection Act and the powers of the Wages Councils.

● Strengthen Acas to put more emphasis on conciliation and arbitration.

● Take steps to develop stable and effective negotiation machinery, promote trade union membership and organisation, and encourage union recognition by employers.

● Restore the right to belong to a trade union to every employee — including those at GCHQ.

● Ensure that the law guarantees the essential legal freedom of workers and their unions to organise effective industrial action.

● Provide a statutory framework of measures to underpin the participative rights of union members, for example by laying down general principles for inclusion in union rule books. These will be based on a *right for union members* to have a secret ballot on decisions relating to strikes, and for the method of election of union executives to be based on a system of secret ballots.

● In consultation with the TUC, we will establish a new independent tribunal, presided over by a legally-qualified person. This will have the duty of acting on complaints by union members if they consider that these statutory principles have been breached.

**Equality for ethnic minorities:** All the people of this country —whatever their race, colour or religion—must enjoy the full rights of citizenship.

Our policies for employment, education, housing, health care, local government and much else will clearly be of benefit to people of the ethnic minorities as they will be to the whole community.

In addition, Labour will take firm action to promote racial equality, to attack racial discrimination and to encourage contract compliance and other positive means of ensuring equity for all citizens. We will strengthen the law on public order to combat racial hatred and take firm action against the growing menace of racial attacks. We will make prosecution easier in order to encourage the reporting of offences.

Labour's policy of firm and fair immigration control will ensure that the law does not discriminate on the basis of race, colour or sex.

**A better deal for consumers:** When people make a purchase, they often feel they are treated unfairly, or even cheated. Labour's Charter for Consumers will provide proper safeguards suited to modern conditions.

There will be firmer protection against unsafe goods. We will make producers strictly liable for defective products.

We will provide easier means of redress for purchasers and stiffer penalties to deter illegal practices.

We will take action to make sure that public bodies respond better to the needs and complaints of people who use their services.

We will bring in a statutory code of *advertising practice.* There will be powers to order the correction of misleading advisements.

We will improve access to legal services where necessary.

There will be more safeguards for customers when companies go bankrupt.

**Towards a fuller life:** Life is not only work. Labour will make provision for the co-ordination and development of leisure amenities and the leisure and cultural industries.

Our Support Sport programme will provide more resources for physical education and training through more playing fields and facilities, better equipment and well-trained teachers and instructors. We will nourish special talents and encourage wider participation in sport.

We will encourage schools to open up their recreational facilities to the whole community and prevent the selling off of school and other sports grounds.

We will set up a Sports Trust to channel resources into the development of community sporting facilities and the attraction of major international sporting events to Britain.

We will establish a Ministry for the Arts and Media with responsibility for the arts, crafts, public libraries, museums, film, publishing, the press, the record industry the development of broadcasting and access to it, fashion, design, architecture and the heritage. The Home Office will remain responsible for regulatory and statutory powers in relation to broadcasting.

The development of central and local government support for the arts, culture and entertainment is essential to the extension of choice, access and participation, and to the development of the related industries.

We will protect the independence of the BBC and the independent broadcasting organisations. We reject subscription TV for the BBC and the auctioning of ITV franchises.

We will legislate to ensure that ownership and control of the press and broadcasting media are retained by citizens of Britain and to place limits on the concentration of ownership. We will strengthen the Press Council and set up a launch fund to assist new publications in order to encourage the diversity necessary in a healthy democracy.

## MODERN BRITAIN IN A MODERN WORLD

The globe is torn by strife and oppression. A Labour Britain must play its part in promoting freedom and reducing conflict.

Labour will play a full part in the United Nations Organisation and the Commonwealth.

Under the Conservatives, Britain picks and chooses which authoritarian countries to condemn and which to befriend. Labour will stand up for freedom wherever it is oppressed—whether in Eastern Europe, Latin America, Asia or Africa.

The Thatcher government has made no real effort to foster freedom in South Africa and Namibia. Labour will make the arms embargo complete, halt investment and commercial loans and ensure that British measures against apartheid embrace those already adopted by the US Congress, the Commonwealth and the EEC. We will support the imposition by the UN Security Council of comprehensive mandatory economic sanctions and provide help to the Front Line States who bear the brunt of South African military and economic attack.

We uphold the principle that it is wrong for one country to dominate or threaten another. We oppose the Soviet presence in Afghanistan. We oppose the United States intervention in Nicaragua and the financing and arming of the Contra terrorists.

Labour will actively seek a stable peace in the Middle East which protects the security of Israel and recognises the right of Palestinians to self-determination.

Labour supports genuine guarantees for the independence, sovereignty and territorial integrity of Cyprus and supports the efforts of the United Nations to achieve that.

We support the human rights movement throughout the world. We champion the demand for free trade unions in Poland. We will press the Russians to honour their obligations under international human rights agreements.

International terrorism is a growing menace to liberty and security. Labour is firmly committed to strengthening national provision and international co-operation in combating and defeating it.

Labour's aim is to work constructively with our EEC partners to promote economic expansion and combat unemployment. However, we will stand up for British interests within the European Community and will seek to put an end to the abuses and scandals of the Common Agricultural Policy. We shall, like other member countries, reject EEC interference with our policy for national recovery and renewal.

**Defending our country:** Labour has a proud record of acting in defence of Britain. It was a Labour government which helped to establish the North Atlantic Alliance. It was a Labour government which in *the 1970s* put resources into rebuilding the Royal Navy and equipping the Royal Air Force with the most up-to-date aircraft.

At the same time, Labour has always linked necessary defence with the need to reduce hostility between East and West. We *must be alert* in protecting our country and equally alert in helping to keep away the scourge of war and nuclear destruction.

The incoming Labour government will maintain that record of effective defence while *working to lower international* tension, fear and distrust.

Labour's defence policy is based squarely and firmly on Britain's membership of Nato. We are determined to make the most useful possible contribution to the alliance. We can best do that by concentrating our resources on the non-nuclear needs of our navy, army, and air force.

The Polaris system of nuclear delivery is ageing and will soon be obsolete. The Tories are buying the expensive American Trident system — a policy which increases nuclear armament without increasing security and, at the same time, diminishes our effective defences. Trident's cost of up to £10bn will take up so much of our defence budget as to deny modern and necessary equipment to our front line forces. Indeed, this process is already happening.

Labour rejects this dishonest and expensive policy. We say that it is time to end the nuclear pretence and to ensure a rational conventional defence policy for Britain.

So Labour will decommission the obsolescent Polaris system. We will cancel Trident and use the money saved to pay for those improvements for our navy, army and air force which are vital for the defence of our country and to fulfil our role in Nato. We will maintain a 50-frigate and destroyer navy. We will play a full part in the development of the European Fighter Aircraft. We will invest in the best up-to-date equipment for the British Army of the Rhine.

That commitment to conventional defence will be based wherever possible on buying British-made rather than foreign equipment. This policy will provide greater security for workers in our vital industries like aerospace, shipbuilding and engineering where jobs are in danger from the reductions which the Tories are making in conventional defence.

We have always recognised that a properly negotiated and monitored international agreement to remove nuclear weapons from European soil would provide the most effective guarantee against the horrors of nuclear war. It would be the most significant step towards an eventual world-wide renunciation of, and ban upon, nuclear weapons. That is why we were the first to propose to the superpowers the zero option in respect of intermediate nuclear weapons.

Labour therefore strongly supports the talks between the US and the Soviet governments aimed at reducing nuclear armaments. Success in these efforts to negotiate the removal of all intermediate nuclear missiles in Europe would be *warmly welcomed*. It would mean the removal of America's cruise missiles here in Britain and in the rest of Europe, as well as Pershing IIs in Germany and the Soviet SS20s and other shorter-range missiles.

We naturally, therefore, want to assist that process in every way possible. If, however, it should fail we shall, after consultation, inform the Americans that we wish them to remove their cruise missiles and other nuclear weapons from Britain. We would then become the ninth—of the 16 Nato members —which do not have US nuclear weapons on their territory. This change would, of course, not affect the other US, British and joint defence and early warning systems in the UK.

We will oppose the extension of the arms race into outer space and will seek an international agreement to abolish chemical weapons.

**The war we must fight:** The world is aware, as never before, of the horrors of famine and poverty in many countries. A Labour Britain will play its full part in defeating these scourges.

We will set up a Department of Overseas Development and Co-operation, headed by a Cabinet Minister, We will double Britain's aid budget in order to achieve the UN's target of 0.7 per cent of national income within five years. We will restore funding for development education. We will give greater support to voluntary agencies. We will promote international action to lift the burden of Third World debt and improve the trading conditions of the *developing* countries.

In all of our policies for making our aid commitment more effective we shall consult the agencies and the men and women of the communities that use the aid to help to win their freedom from want and poverty.

## BRITAIN WILL WIN WITH LABOUR

On June 11, the people of Britain have the opportunity to put behind them the bleak years of Thatcherism and to give our country a fresh start. Labour's plans, carefully costed, prudently programmed, can provide that start.

To go on under Toryism is to accept lower expectations and narrower horizons; it is to surrender to national decline and national division.

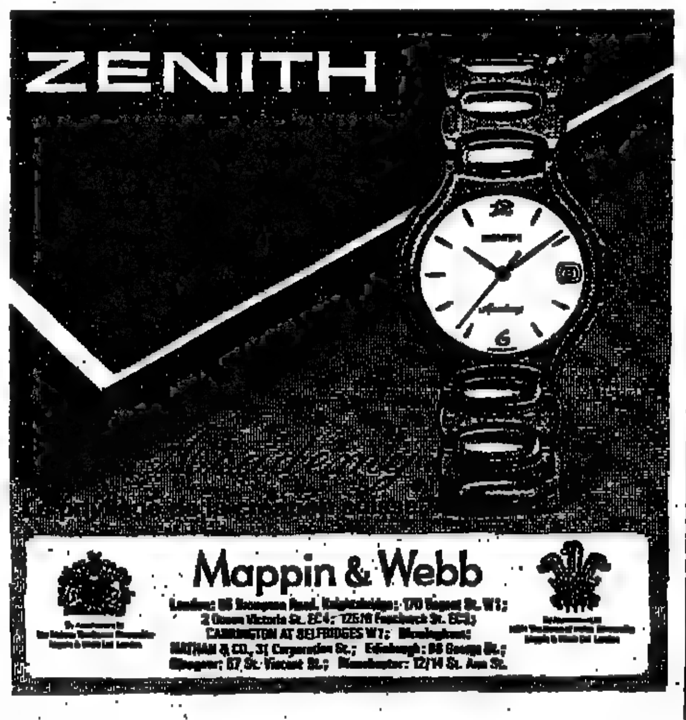
We must not shackle ourselves or burden our children with that future of failure. Together, we can be successful not just in material and economic terms, though these are vitally important, but also in terms of our sense of purpose, our freedom, independence and confidence.

Tht success can come only when the nation is restored to strength and unity in their fullest sense.

Labour has the policies to generate efficient production and secure high standards of justice. Labour has the vision and commitment to stimulate the energies, the skills and the will to succeed of the British people.

In our precious democratic tradition, a general election passes power back from Parliament to the people. We urge the people to use their power in *their own* interests, their families' interests, their country's interests.

Britain will win with Labour.




# FT LAW REPORTS

## Receiver refused in ITC case

MACLAINE WATSON & CO LTD v INTERNATIONAL TIN COUNCIL.

Chancery Division: Mr Justice Millett: May 13 1987.

**THE MUTUAL rights and obligations of the International Tin Council and its members are derived solely from treaty and are not justiciable in the English courts. Therefore, although the court has power to appoint a receiver over ITC assets which cannot be reached by legal execution, appointment will be refused if they are said to consist of a right of contribution from members, in that no such right exists outside the treaty so as to create an English cause of action capable of being taken over by a receiver.**

Mr Justice Millett so held when refusing an application by Maclaine Watson & Co Ltd for appointment of a receiver over the assets of the International Tin Council and for relief against the UK government should the ITC demand contribution from its members to satisfy a judgment debt against it.

HIS LORDSHIP said that Maclaine Watson was a ring dealing member of the London Metal Exchange. It entered into contracts with the ITC for the purchase and sale of tin. The ITC defaulted on those contracts.

On November 6 1986 Maclaine obtained an arbitration award in its favour of £6m. The award was not satisfied. It obtained leave pursuant to section 26 of the Arbitration Act 1950 to enforce the award in the same manner as a judgment and on November 25 it entered judgment against the ITC. The judgment remained unsatisfied.

The ITC's total debts to unsatisfied creditors amounted to several hundred million pounds. Its only substantial assets appeared to consist of such rights (if any) as it might have to be indemnified by or to demand contributions from its members. It had to date made no demand.

The present application by Maclaine was for appointment of a receiver by way of equitable execution over those assets. It sought orders authorising the receiver in the ITC's name to make formal demands on member states and to enforce payment if necessary by litigation in the English courts. One of the members was the UK Government.

The ITC was constituted under the sixth International Tin Agreement. It was common ground that it was an international organisation created by treaty with legal personality in international law, on which the International Tin Council (Immunities and Privileges) Order 1972 had conferred the legal capacities of a body corporate. But it was not incorporated by the order, was not a statutory body and was not incorporated in the UK or anywhere else.

The court approached the application on the basis of what was expressly stated in paragraphs 4 and 5 of the order, namely that the ITC was an organisation (which might or might not have its own separate legal personality in English law) of which the UK and foreign governments were members, and that it had the legal capacities of a body corporate.

To succeed in the application Maclaine must satisfy four conditions: that the court had *jurisdiction* to appoint a receiver by way of equitable execution over the relevant *assets*; that if a receiver were appointed he could be given power in the ITC's name to proceed in English courts against member states; that there was at least an arguable case that the ITC had an identifiable cause of action against its members; and that the relevant course of action was justiciable by the English courts.

**1—Jurisdiction to appoint a receiver by way of equitable execution:** The court's jurisdiction to appoint a receiver by way of equitable execution derived from section 37 (1) of the Supreme Court Act 1981, which gave it power to appoint a receiver "in all cases in which it appears to the court to be just and convenient to do so."

In *Bourne v Colodense Ltd [1985] ICR 291* the Court of Appeal held that there was an arguable case that the plaintiff was entitled to an indemnity from his union against his liability to pay defendants' costs; and that the defendants were entitled to have a receiver appointed by way of execution in order to make the necessary demand and take over the plaintiff's right of action against the union.

That case was on all fours with the present question. There, as here, the debtor's asset was a legal chose in action, namely a claim to be indemnified on demand. The debtor refused to make the necessary demand or to enforce his claim. Execution at law was not available, for a claim to be indemnified was not an attachable debt and could not be made the subject of a garnishee. That difficulty was overcome by appointment of a receiver.

In the present case the property could not be reached by any process of legal execution because, with the exception of the UK Government, all the indemnifying parties were out of the jurisdiction; the ITC had not made any formal demand on its members; and a claim to be indemnified by a third party was not amenable to garnishee.

*Bourne v Colodense* was authority for holding that the second and third impediments could be overcome by appointment of a receiver by way of equitable execution with power to make the demand and to bring proceedings if necessary; and the first obviously could.

Therefore there was no technical objection to the appointment sought.

**2—The power of the ITC to sue its own members:** It was common ground that if a justicable cause of action arose the ITC could maintain an action against its members in the English courts. The ITC said that was because it was a juristic person. Maclaine said it was because the 1972 order had conferred on the ITC the capacities of a body corporate.

**3—The existence of a cause of action:** Maclaine must show that the ITC had an arguable cause of action against the member states capable of being taken over by the receiver, and which the court could entertain.

Mr Littman for Maclaine accepted that a cause of action based on alleged breach of the ITA would not be justiciable in the English courts.

He submitted that the ITC was simply an unincorporated association of member states with the legal capacities of a body corporate, but without separate personality—in other words, a partnership; that every member of such a partnership was liable as principal for the firm's debts and liabilities, and was entitled to contribution from co-partners.

That and alternative ways in which he put the case involved three fallacies: (i) that because the contracts were governed by English law the mutual rights and obligations of the ITC and members must be governed by the same law; (ii) that because members' liability to third parties could not be excluded or cut down by private agreement between members, such agreement could not be the source of mutual rights and obligations of the ITC and its members; and (iii) that because no relevant rights of indemnity or contribution could be in fact be found in the ITA, or would be enforceable in the English courts if they could be found, such rights must derive from some other source.

To succeed in his claim against the member states the receiver would have to establish the existence of some agreement, express or implied, between the member states, under which the right of indemnity or contribution could be said to arise and which was justiciable in the English courts.

The ITA was the agreement under which the mutual rights and obligations of the member states and the ITC arose.

There was no evidence to suggest there was any other agreement, and no reason to infer one. The ITC's rights derived from the treaty and nowhere else and, as the 1972 order acknowledged, the treaty was not a contract of partnership or agency, but of membership.

Members were independent sovereign states with power to enter into an international treaty which was governed by the law of no single country. Assuming that no right of indemnity or contribution was given to the ITC by the treaty, what followed was not that the right must derive from some other source, but that there was no such right.

Appointment of a receiver did no more than vest in the receiver whatever rights the ITC might have, while the 1972 order did no more than give the ITC capacity to enter into arrangements to obtain the necessary right. The only source of those rights remained the treaty.

Maclaine had failed to show any arguable case for contending that the ITC had a cause of action against its members which was not derived from the treaty. It was rightly conceded that the court could not entertain a cause of action which was so derived. The application was dismissed.

*For Maclaine Watson: Mark Littman, QC; Richard Aikens, QC; Richard McCombe and Adrian Hughes (Elborne Mitchell).*

*For the ITC: Robert Alexander, QC; Richard Sykes, QC; Nicholas Chambers, QC; Professor Rosalyn Higgins, QC; Peter Irvin and Leslie Kosmin (Cameron Markby).*

*For the Government: Sir Maurice Bathurst, QC; Anthony Grabiner, QC; Nicolas Bratza, John Mummery and David A. S. Richards (Treasury Solicitor).*

**By Rachel Davies**
*Barrister*

# APPOINTMENTS

## Senior posts at C T Bowring

C. T. BOWRING & CO has made the following appointments: **Mr M. J. Thornton** becomes financial controller of Bowring UK succeeding **Mr J. C. Hills** who has left the company; at RIAS Insurance Services **Mr J. S. Clark** has been made a director and chairman following the resignation of **Mr E. W. Hall**; at Bowring Risk Management **Mr J. C. Bell** has been appointed a senior consultant.

★

**Mr Geoffrey Baker** has been appointed managing director of ACOUSTIC TECHNOLOGY. He was sales and marketing director of SDRC Engineering Services.

★

TELEPHONE CABLES, part of the GEC Group, has appointed **Mr D. M. Reid** as finance director and company secretary, and **Mr R. D. Bradnam** as technical director. Mr Reid joins from J. John Masters and Co where he was finance director. Mr Bradnam joins from the Marconi Research Centre where he was manager of the hybrid systems division. Telephone Cables has launched its submarine optical fibre cable business as a separate division. **Mr Gerry Boothroyd**, who was with STC, has been appointed general manager of the new division, GEC submarine communications.

★

As part of a management reorganisation within the VIKING INTERNATIONAL GROUP, **Mr Rick Conley** has been appointed managing director of parent company Viking International. He was previously deputy to **Mr Chris Parker** who held the dual posts of group chairman and managing director. **Mr Terry Brown** becomes managing director of Viking International Air Chartering, while **Mr Ray Spicer**, already on the VIAC board, is appointed aviation director.

★

THOMAS JOURDAN has appointed **Mr Keith Whitten** as a director and deputy chairman. He was a director of Peek Holdings, Julian Gibbs Associates and chairman of Memcom International Holdings.

★

**Mr Brian Goldsmith** has been appointed managing director of a company set up to handle the international movement of magazines, books and all types of printed matter including mailshots, invoices, catalogues and sales data. The company is Mercury SDS, which has been formed out of the special distribution services division of MERCURY AIRFREIGHT INTERNATIONAL. Mr Goldsmith had run the division for the past seven years. **Mr Don Rothwell**, chairman of all operating companies in the Mercury group (not "group chairman" as reported in the Financial Times dated May 14), also becomes chairman of Mercury SDS. There are three others on the board: **Mr Andy Curshen**, president of Mercury's American subsidiary company; **Mr Tony Robinson**, who becomes financial director; and **Mr John Armstrong** as company secretary.

★

The BUILDING CONTRACTORS FEDERATION has elected **Mr Peter Johnston** as president for 1987-88. He is a director of William Anelay, of York.

★

McKECHNIE has appointed **Mr K. M. Bush** as managing director of the extruded products division of its subsidiary, McKechnie Metals. He was managing director of GEC Large Machines.

★

INTER-CONTINENTAL FUELS has appointed **Mr David R. T. Waring** as executive deputy chairman. His previous post as managing director is being filled by **Mr David J. Loveridge**, formerly managing director of Stephenson Clarke Industrial Fuels and Powell Duffryn International Fuels.

★

THE FUJI BANK has appointed **Mr Yoko Bori** as general manager of the bank's London office. Mr Bori replaces **Mr M. Kiyota**, who returns to the Tokyo head office. Mr Bori comes to London after heading Tokyo's treasury division for the past year.

★

**Mr Peter Rees** will be joining the board of ECONOMIC FORESTRY GROUP on June 1. He has been MP for Dover since 1970 but will not be seeking re-election.

★

The NABISCO GROUP has appointed **Mr Tony Hunt** as sales director of Smiths Crisps. He was trading director of the Nabisco grocery division.

★

BRITISH TELECOM has appointed **Professor Eric Albert Ash** as a non-executive director from July 1. Sir George Macfarlane will be retiring at the annual meeting in September.

★

EMERSON DEVELOPMENTS (HOLDINGS), of Alderley Edge, Cheshire, has made the following appointments to the main board: **Mr Alan J. White**, managing director of Jones Homes; and **Mr Stanley Annison**, managing director of Orbit Developments.



## Company Notices

**Kingdom of Denmark**

US$ 250,000,000
Floating Rate Notes due May 1995

In accordance with the description of the Notes, notice is hereby given that for the interest period May 18, 1987 to November 18, 1987, the Notes will carry an interest rate of 10% per annum.

The interest payable on the relevant interest payment date, November 18, 1987 against coupon n° 5 will be US$511.11 for each US$10,000 Note.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

**SOCIETE NATIONALE DES CHEMINS DE FER BELGES (SNCB)**

NATIONALE MAATSCAPPIJ DER BELGISCHE SPOORWEGEN (NMBS)
US$75,000,000 Guaranteed Floating Rate Notes due November 1991
Unconditionally guaranteed by
THE KINGDOM OF BELGIUM

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from May 20, 1987 to November 20, 1987 the Notes will carry an interest rate of 7.9375 per cent per annum. This interest amount payable on the relevant interest payment date which will be November 20, 1987 is US$2,028.47 for US$50,000 in principal amount of the Notes.

by General Bank
Agent Bank

**CHEMICAL NEW YORK CORP**

US$300,000,000 Floating Rate Subordinated Capital Notes Due 1997

In accordance with the provisions of the notes, notice is hereby given that for the interest period from May 19 1987 to August 19 1987 the notes carry an interest rate of 7⅜ per cent per annum. The interest payable on the relevant interest payment date, August 19, 1987 against coupon No. 10 will be US$934.38 per US$50,000 note.
Agent Bank
CHEMICAL BANK

**THE ROYAL BANK OF CANADA**

US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the debentures, the interest rate for the period May 21st, 1987 to June 22nd, 1987 has been fixed at 7⅜ per cent per annum. On June 22nd, interest of US$6.555658 per US$1,000 nominal amount of the debentures will be due for payment. The rate of interest for the period commencing June 22nd, 1987 will be determined on June 18th, 1987.

ORION ROYAL BANK LIMITED
Agent Bank and Principal Paying Agent

**CCCE**

Ecu 200,000,000
Floating Rate Notes due 2006 and 200,000 Warrants to Subscribe up to Ecu 200,000,000 7½% Guaranteed Bonds due 2006

For the 3 months period May 20, 1987 to August 20, 1987 the notes will carry an interest rate of 6⅞% per annum with an interest amount of Ecu 175.69 per Ecu 10,000 note and of Ecu 1,756.94 per Ecu 100,000 note.

The relevant interest payment date will be August 20, 1987.
Banque Paribas (Luxembourg) S.A.
Agent Bank

**PREMIER GROUP HOLDINGS LIMITED**

US$50,000,000
Floating Rate Notes due 1989

NOTICE IS HEREBY GIVEN that the Rate of Interest for the first sub-period of Coupon No. 7 has been fixed at 8⅝% p.a. and that the interest payable in respect of US$100,000 nominal of the Notes will be US$[illegible]. This amount will accrue towards the interest payment due November 20, 1987.

May 20, 1987, London. CITIBANK, N.A. Agent Bank

**AUSTIN REED GROUP PLC**

Notice is hereby given that the Register of Members will be CLOSED and the registration of transfers of ALL CLASSES of shares will be suspended from 2 to 12 June 1987 both dates inclusive.
By Order of the Board
[illegible]
Secretary

TAYLOR WOODROW INTERNATIONAL FINANCE B.V.

The annual report and accounts for the year ended 31st December, 1986 of the above company and those of Taylor Woodrow plc have been published and are available from the offices of Hoare Govett Limited at 4, Broadgate, London, EC2M 7LE.

## Legal Notice

NOTICE TO CREDITORS to send in particulars of Debts or Claims

UNITED PARCEL SERVICES (HOLDINGS) LIMITED
(In Creditors' Voluntary Liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required on or before the 15th day of June 1987, to send in their names and addresses, with particulars of their debts or claims, to the undersigned Hedley Charles Brunt of Kidsons, Chartered Accountants, Bank House, 8 Cherry Street, Birmingham B2 5AD the Liquidator of the Company; and, if so required by notice in writing by the said Liquidator either personally or by their Solicitors to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Dated this 8th day of May 1987
H. C. BRUNT
Liquidator



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# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ


# 'We are hoist with our own petard'

**Guy de Jonquieres and Anatole Kaletsky examine the threat to the US's technological supremacy**

THIRTY YEARS after the Soviet Union dealt a body blow to American pride by putting the first Sputnik into orbit, the US is once again suffering pangs of anxiety about its technological leadership.

The cause this time is not a single clear-cut challenge in one field of scientific endeavour but rather the creeping realisation that the rules which ensured America's once unquestioned domination of a broad range of advanced technologies are changing, and that its traditional advantages are steadily narrowing.

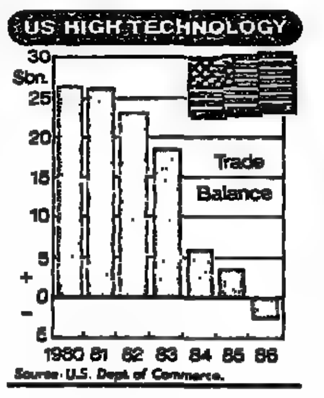
No other country has tied its economic prosperity — or its defence strategy—more firmly to technological excellence than the US. In the words of the Presidential Commission on Competitiveness, published two years ago: "Technology propels our economy forward. Without doubt, it has been our strongest competitive advantage . . . America owes much of its standard of living to preeminence in technology."

However, in the past few years the comfortable assumption that thrusting "sunrise" industries would step up smartly to fill the economic gap left by the retreat of America's older "smokestack" sectors has been dashed.

US imports of high-technology products have grown six times faster than exports since 1980, turning a record $26.6bn surplus that year into a $2.6bn deficit last year. In electronics and communications equipment, which was in surplus until 1982, the deficit last year widened to $18.3bn.

The much-publicised recent problems of the US semiconductor manufacturers, which have sought refuge from the Japanese in an international price-fixing deal and are clamouring for Pentagon subsidies, have delivered another jolt to national self-esteem. Suddenly an industry, which until a few years ago saw itself as king of the jungle, has begun to behave more like an endangered species.

Though Japan is America's most formidable challenger by far, it is not the only one. The Pacific Rim countries are also emerging as keen competitors at the lower end of the technology markets. South Korea has established itself as a sizeable exporter of "commodity" micro-chips and there are now 80 Asian personal computer manufacturers which can turn out exact copies of US designs in as little as three weeks, according to market research firm Dataquest.



Source: U.S. Dept of Commerce.

The sense of foreboding and vulnerability generated by these developments is bleakly summed up by John Alic of the Office of Technology Assessment, a congressional agency: "The US led the way in trying to open up the international trade system. We helped the world rebuild economically, we transferred our technology. Now we have created a world in which we are having a lot of trouble competing and we find we are hoist with our own petard."

This gloomy prognosis sounds more than a little melodramatic when set against the wealth of resources which America still commands in high-technology. It spends far more than any other western country or Japan on research and development—almost $120bn last year — and has an unrivalled record of imaginative breakthroughs at the frontiers of science.

US companies account for two-thirds of the world commercial aircraft market and half of all computer sales. Even in semiconductors, the US is still the world leader. After correcting for the effect of exchange rate changes, its companies captured 45 per cent of world sales last year, against Japan's 41 per cent. Nor do these figures take account of the massive in-house chip production by companies such as IBM and American Telephone and Telegraph.

Yet America has also learned in the past few years that other supposed bastions of industrial supremacy can crumble at alarming speed under determined attack from outside. As the country moves into what looks like a global war of attrition in high-technology, the weapons and tactics which served it so well at the height of its power are being nervously re-examined—and in some cases found wanting.

The most frequent starting point is research and development policy. Numerous analyses have noted with concern that, though the US devotes slightly more of its national income to R&D than any of its major competitors, a smaller proportion goes to civilian projects than in either Japan or West Germany.

Boosted by President Reagan's Star Wars programme, spending on defence R&D has risen from $15bn, or less than half of all federal R&D, in 1980, to $45bn or almost three quarters of the total this year. The Pentagon is also the largest source of federal funds for basic research, on which it will spend almost $1bn this year.

But though defence spending heavily supported the early post-war growth of many US civilian high technology industries, its contribution today is much more limited. The objectives of military procurement and commercial markets have steadily diverged and, while industrial spin-offs do still occur, they tend to be haphazard. Indeed, many experts believe that more technology now flows from the civilian sector into defence than the other way around.

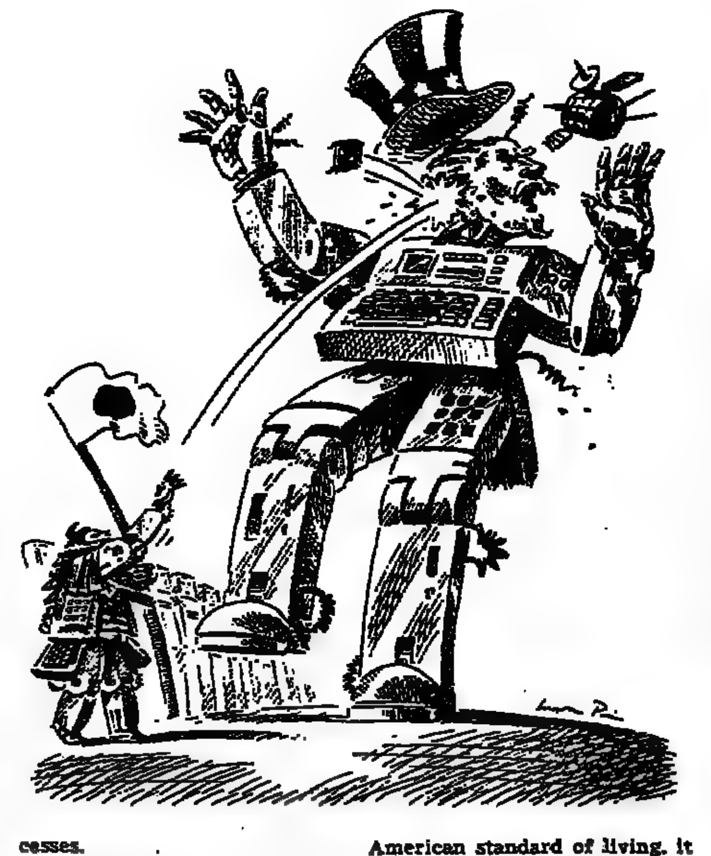
Furthermore, US controls on exports of high-technology are also increasingly widely criticised for handicapping the international competitiveness of industry. A recent report by the National Academy of Sciences estimated that they had cost the US economy exports worth $9bn and 188,000 jobs. "The Pentagon is doing as much as the Japanese to make us uncompetitive," complains Democratic Congressman Buddy McKay, a leader of the congressional caucus on competitiveness.

The Reagan Administration has gone some way to redress the balance by stepping up funding for non-defence basic research from $5bn in 1981 to $9bn this year. It is also backing a request by the National Science Foundation, the largest single source of federal funding for university research, for a $1.5bn budget increase over the next five years.

Industry, for its part, has begun to explore new ways of speeding up work on applied research, notably through co-operative ventures such as the Semiconductor Research Corporation (SRC) and the Microelectronics and Computer Technology Corporation (MCC). The Bell telephone companies also share a joint research centre, Bellcore.

The SRC, which is backed by 36 electronics companies, awards contracts worth about $18m annually to universities. The MCC, which has a $75m annual budget and a staff of 500, performs research in its own laboratories on behalf of 21 corporate members from a wide range of industries. So far, it has developed new computer languages, software and microchip assembly techniques.

R&D is, of course, only a measure of input. The acid test of its value is how effectively its results are translated into marketable products and processes.



According to Fred Garry, vice president of engineering and manufacturing at General Electric, the US has long been too much enthralled by the glamour of scientific discovery and has neglected the business of reaping its commercial rewards. "Our fascination with science and research per se has lessened our interest in actually making things," he says.

Admiral Bobby Inman, who headed the MCC until last December, voices a broadly similar concern, complaining that only half the MCC's members have shown any real urgency about picking up the technology it has generated.

Such misgivings, which recall European anxieties about "technology lag," may seem curiously misplaced in a country where fast-growing entrepreneurial companies have proved exceptionally adept at transferring innovation from the research laboratory to the market.

However, some economists now question how much all this effervescent activity actually benefits the US economy. Professor Bruce Scott of Harvard Business School believes that it may even have had a negative impact. Start-up firms, he notes, are inherently fragile and therefore more likely than big ones to license or sell their technology to companies overseas, which are often better equipped to exploit it commercially.

This may be less true than it once was. In the past few years, US attitudes towards technology transfer have grown perceptibly more strict.

Large companies such as IBM and Texas Instruments have also begun to take a much harder line with Japanese competitors over copyright issues, while even smaller ones are now said to be learning how to get more in return for their technology. "US-Japanese alliances are becoming much more of a two-way affair," according to Sheridan Tatsuno of market research firm Dataquest.

That still leaves another prolem, however. Few start-up companies possess the financial and engineering resources to invest in their own large-scale manufacturing facilities. For many, particularly in businesses such as personal computers, workstations and telecommunications apparatus, the commercial logic of sub-contracting production to low-cost off-shore suppliers has proved irresistible.

But as Scott points out: "From the standpoint of competitiveness and raising the American standard of living, it is not who developed an idea which counts. It is who created the jobs, the exports and ultimately the earnings from successful manufacturing."

Nowhere has this point struck home more forcefully than in the mainstream US semiconductor industry, which has found it increasingly difficult to compete against superior Japanese production techniques. "We put much more effort into efficiencies of design than of manufacturing," admits Charles Sporck, chairman of National Semiconductor, a leading microchip maker. "Now it will take us years to catch up."

He and other US industry leaders are pinning most of their hopes on Sematech, a proposed $1bn cooperative venture in advanced manufacturing which would also involve computer manufacturers, semiconductor production equipment makers and the Pentagon, which is being asked to help finance it.

Sematech has yet to surmount numerous practical and political hurdles. But even if it succeeds in doing so, opinions are sharply divided over how much good it will do.

Recently, there have been signs that a rationalisation is under way. Two leading Silicon Valley chip companies, Advanced Micro Devices and Monolithic Memories, recently agreed to merge. Another, Fairchild, is looking for a suitor, following the withdrawal of the controversial bid for it by Japan's Fujitsu. And even Sporck, who has long pledged to go to the stake to keep his company independent, now admits to having second thoughts.

Whether the need to change will seem quite as pressing if the recent evidence of a recovery in the depressed US chip and computer markets is confirmed, remains to be seen.

However, a cyclical upturn is likely, at best, to provide no more than a temporary respite from international competition.

The prospect ahead is for a permanent and relentless battle into which an ever larger number of contestants will be drawn. The US starts out with much the biggest battalions and an enviable store of ammunition. But it no longer possesses the commanding strategic superiority or the margins of technological and industrial advantage which it once enjoyed. From now on, it looks like hand-to-hand combat all the way.

# The source of a trade deficit

WHO IS responsible for America's high-technology trade deficit? According to the official balance of payments statistics—and protectionists in the US—it is Japan and a clutch of newly-industrialised countries in East Asia led by South Korea and Taiwan.

However, much of the problem is explained by the practices of America's own electronics industry, which in the past five years has turned increasingly to offshore manufacturing and components sourcing in an effort to remain competitive in high-volume products.

According to Dataquest, a market research firm, 36 per cent of personal computers shipped to the US last year, many of them bearing American brand names, underwent final assembly overseas, against a mere 1.3 per cent in 1982. The proportion of foreign-assembled computer display terminals rose from 24 per cent to 46 per cent over the same period while the figure for inexpensive key telephone systems went from 33 per cent to 65 per cent.

In many cases, US companies have set up their own plants offshore or formed joint manufacturing ventures with partners overseas. In addition, there is a growing tendency to delegate work to independent contract production and assembly companies.

According to management consultants Arthur D. Little, 20 per cent of US electronics assembly work was performed under contract last year, three-quarters of it offshore. Contract assembly is forecast to increase to 38 per cent of all US production by 1990 and the overseas portion to rise to 90 per cent.

But even these estimates do not spell out the full extent of the "hollowing" of American electronics manufacturing. According to a report commissioned by the Joint Economic Committee of Congress last year, most of the major sub-assemblies and many items such as disk drives and monitors embodied in US personal computers are now made overseas.

Even IBM, which has invested massively in automated production, still buys many of the components for its personal computer from suppliers abroad.

Tandem, the leading US maker of non-stop computers, which purchased all its components and sub-assemblies from American suppliers in 1980, today buys half of them from Japan. According to Jack Marshall, the company's chief operating officer, the Japanese score not only on price — Tandem has negotiated long-term supply contracts in dollars—but also on quality and technology.

"I resisted buying from Japan at first," he says. "We tried hard to get our US suppliers to improve their quality, but they just didn't have the know-how needed to do it." In the past 18 months, he says, American suppliers have begun to improve, though most still fall short of Japanese standards.

As Japan's popularity has been diminished by the rise in the yen, attention in the US electronics industry has swung increasingly to South Korea, Taiwan and Singapore, all of whose currencies are still tied closely to the dollar.

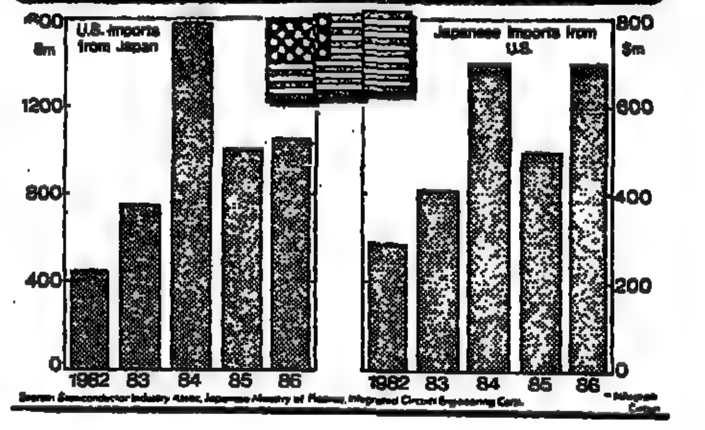
Sub-assemblies such as printed circuit boards made in these countries cost between 20 and 50 per cent less than US-made parts. But the key to their advantage no longer lies just in their ability to employ low-paid manual assembly workers.

Their new thrust is in production engineering, which accounts for a larger share of total manufacturing cost than final assembly. A growing number of US companies is finding that production engineers in Asia can do as good a job as their American equivalents, who on average earn salaries five times higher.

Indeed, some experts believe that in certain areas, such as the computerised testing of semiconductors, there may now be more expertise in Pacific Rim countries than in the US. "American semiconductor companies still write the software," says William Finan, a Washington-based electronics consultant. "But the Asian engineers are the only ones who really know how to make it work."

Some experts see in such trends an insidious longer-term threat to US competitiveness, which is unlikely to be checked even with the aid of a further substantial devaluation of the dollar. What they fear is an irretrievable loss of the skill and knowledge base in electronic technologies, which will result in the US being permanently reliant on foreign suppliers for an ever wider range of products, as it already is in consumer products such as video-recorders and compact disc players.

"Technological competence builds upon technological competence," says Professor Robert Reich of Harvard University. "Once you get off the learning curve, it is impossible ever to get back on again."






# Defence: less of a civil return

HYPERSONIC AIRCRAFT capable of 25 times the speed of sound, high-speed integrated circuits, advanced turbine engines, supercomputers, composite materials, underwater sensors and molecular microchips.

These are only a few of the research projects being funded out of the US Defence Budget. To them could be added literally hundreds of other programmes, not least the Strategic Defence Initiative (SDI), with its exploration of areas such as high-powered lasers and particle physics.

Formidable as it is, however, this list fails to impress the growing number of sceptics in Washington and other parts of the US who complain that a rapidly diminishing proportion of the scientific and technological activities sponsored by the Pentagon spills over into the commercial sphere.

"A strong case can be made that in the 1950s and 1960s, Defence Department funding generated huge civil spin-offs," says Professor Robert Reich of Harvard University. "But by the 1970s, the spin-offs became much more attenuated because civil and military technologies evolved in different directions."

To some extent, this parting of the ways reflects fundamental changes in commercial and defence requirements. "In aircraft, the Pentagon wants higher speeds and more manoeuvrability," says John Alic of the Office of Technology and Assessment. "But airlines are chiefly interested in lower costs per seat-mile."

However, there has also been a decisive shift in Pentagon policy since the early 1960s away from supporting unfettered basic research and the development of generic technologies such as electronics and computing towards more narrowly focused programmes aimed at meeting specific procurement needs.

Admiral Bobby Inman, former head of the MCC, complains that this change, coupled with heavier bureaucratic controls, has both constrained freedom to explore the frontiers of science and hindered innovation. He claims that it now takes as much as 12 years for the Pentagon to develop new technologies, when as little as three years would be needed if the rules were made more flexible.

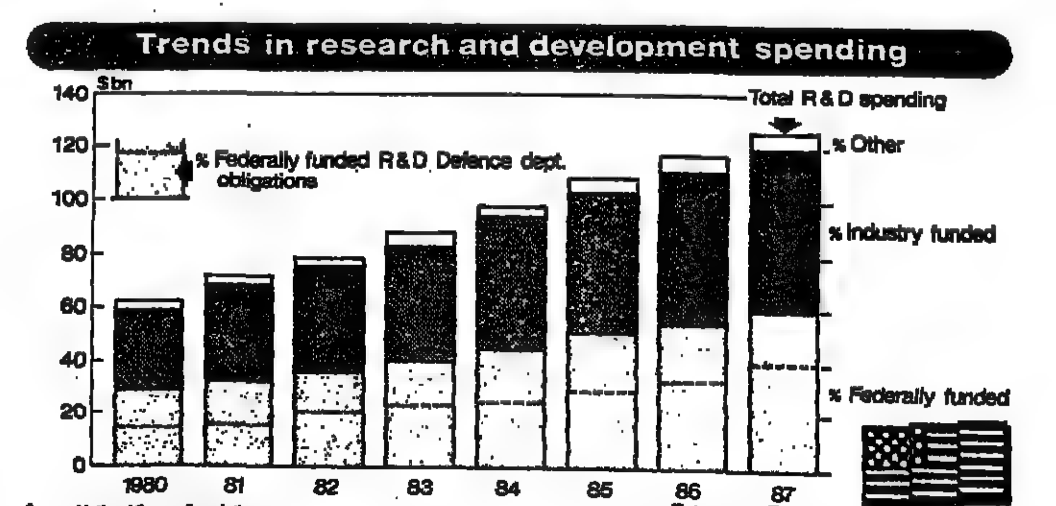
He and many other experts argue that the US can ill-afford to devote an increasing share of its scientific resources to defence activities which yield such slender commercial returns at a time when American high-technology industries are under fierce competitive pressure.

The Presidential Commission on Competitiveness suggested two years ago setting up a Department of Science and Technology to channel research into commercially productive areas. Professor Reich believes that as much as a third of the Pentagon's research budget could be diverted to such a department without compromising the defence effort.

Admiral Inman, on the other hand, is canvassing an even more radical solution. He favours re-defining the Pentagon's mandate to give it specific responsibility for promoting the development of commercial high-technology.

In one sense, that could be construed as a reversion to the role which the Pentagon played immediately after the Second World War, when it consciously sought to build up America's industrial strength in key emergent technologies.

Politically, however, none of these suggestions seems likely to get far while Ronald Reagan remains in the White House. With his Administration opposed both to the creation of new federal agencies and to government intervention in industry, the status quo looks set to continue for a while longer.



Source: National Science Foundation

*Previous articles in this series appeared on May 11, 13 and 18. The final one will be published on Friday.*

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# N. AMERICAN RESTRUCTURING

**Bernard Simon** looks at the Hudson's Bay Northern Stores disposal

## New chapter for Canada's pioneers

AN ERA in North American history ended on May 3 when the continent's oldest commercial enterprise, the Hudson's Bay company, relinquished control of a chain of 178 retail stores in remote Canadian communities.

By selling its Northern Stores Division the company loosened its ties with the former fur-trading posts which in their heyday gave the company control over one-twelfth of the earth's surface.

But for the historic stores themselves the change in ownership is an opportunity to make a fresh start freed from a debt-ridden parent whose priorities now centre not on the fur trade but on three of Canada's leading department store chains and a successful property developer.

In a move which says as much about the company's past as the stores' future, their buyers have renamed their enterprise the North West Company (NWC).

The original NWC was a Montreal-based company which vied with the Hudson's Bay Company for almost a century for control of the North American fur trade before being absorbed by The Bay in 1821.

The new company's managers, who are now also part-owners, are keen to resurrect the vigorous spirit which gave

Hudson's Bay Company

their defunct namesake a reputation as the more enterprising and adventurous of the two fur-trading concerns.

"For us to have been folded into some conglomerate would have been a disaster," says Mr Marvin Tiller, NWC's Winnipeg-based president, who was formerly HBC vice-president for northern stores.

The northern stores, like HBC, have their origins in the royal charter granted in 1670 by King Charles II to a London syndicate headed by his cousin Prince Rupert. The charter designated the Company of Adventurers as "true lords and proprietors" of Hudson Bay and its entire drainage system.

It charged them with "discovery of a New passage into the South Sea and for the finding some Trade for Furrs, Mineralls and other considerable Commodityes."

Many of NWC's far-flung stores are on the same sites as the pioneering trading posts which pushed the British empire northward and westward from Hudson Bay in the search for Indians (and later Eskimoes) willing to exchange beaver and other animal pelts for the artefacts of western civilisation.


Lord Thomson of Fleet (left) and Sir Martin Jacomb

These posts have evolved into modern retail outlets, with combined revenues at C$400m (US$299.6m) in 1986. The two biggest, in the Baffin Island town of Frobisher Bay and Whitehorse in the Yukon, are mini-shopping malls, each covering 55,000 sq ft.

North West Company's assets include a big distribution depot in Montreal, several supply barges and a 3,000-ton ship. The latter vessel makes an annual trip to supply remote communities along the St Lawrence River, up the coast of Labrador to the central Arctic.

NWC has also taken over from the Hudson's Bay Company a thriving blanket business, whose distinctive cream-coloured, Bay blankets with scarlet, green, yellow and black bands are as popular nowadays among North American yuppies as they were among Indian fur trappers in the 18th and 19th centuries.

Just as the HBC in its empire-building heyday was as much a political as a commercial enterprise, the northern stores remain a unique institution. They are the biggest employer in northern Canada after the government, giving them an unrivalled influence in the development of many remote Indian and Eskimo communities.

Despite a decline in world markets, store managers are instructed to continue buying seal pelts from native hunters. The stores run an extensive nutrition programme in many communities.

On the other hand, a monopoly in many locations, profits well above the average for North American retailing and allegations of a patronising attitude towards Canada's native peoples have in the past made the northern stores a natural target for criticism.

Apparently mindful of its wider responsibilities, HBC — now controlled by Lord Thomson of Fleet — set several conditions for the sale of the northern stores.

It insisted that no single shareholder should have control and that the new owners should include the stores' management. As a result, the new shareholders include a Toronto trust company, two large prairie pension funds, and a number of "friends," including Sir Martin Jacomb, chairman of Barclays de Zoete Wedd, the British investment bank.

Fifty senior managers have a combined 10 per cent interest, which is likely to rise to 20 per cent as more employees acquire shares.

Mr Tiller insists that the stores will maintain their social responsibilities. He says: "There are three institutions in the north — the Royal Canadian Mounted Police, the Church and the Bay. Long-term survival means being part of the community and supporting it."

On the other hand, Mr Tiller approvingly quotes one of HBC's most famous 19th century governors, Sir George Simpson: "We are not here solely for philanthropic reasons."

Despite its monopoly in some locations, NWC is faced with growing competition. Indian bands, supported by the Canadian Government, have set up more than 30 co-operatives to compete head-on with NWC. A handful of southern Canadian companies have also begun to enter the northern market.

Even in those places where the Bay store is the only shop in town, NWC now faces competition from far-off mail order businesses. Improved transport links have made it easier for residents of remote communities to travel to urban centres to do their shopping, especially for big-ticket items.

The northern stores have responded to these challenges by updating their own marketing methods, and by broadening their horizons. Merchandise selections have been changed to reflect rising incomes and increasingly modern tastes. A full-colour, mail order catalogue was launched two years ago.

NWC has plans to open more than a dozen stores in Canada, especially in the east coast provinces. Further afield, it has been approached by the Alaska Government to help run a chain of retail outlets similar to those in Canada.

A delegation from the Greenland Trading Company is due to visit Winnipeg later this month to discuss ways of pooling resources with NWC.

But the core of Mr Tiller's strategy to breathe vigour into the northern stores is an effort to revitalise the corporate culture.

Hudson's Bay Company

HBC's early traders, many of them salt-of-the-earth Orkneymen, were the model for generations of northern stores employees who combined fierce loyalty to the company with an unimaginative and parsimonious approach to business.

Members of the NWC management committee have an average 27 years' service with HBC.

Mr Peter Newman, the Canadian author, recalls in Company of Adventurers, a history of HBC, that the northern stores were not heated until the late 1960s. "The reason was that they didn't want anybody hanging around," according to a commissioner of the Northwest Territories quoted by Mr Newman.

All NWC's 4,000 employees will eventually have an opportunity to buy shares in the new company, giving them an added incentive to live up to the entrepreneurial reputation of their 18th- and 19th-century forebears.

JOBS

# A senseless and shameful waste of ability

BY MICHAEL DIXON

"LIFE begins at 40," sang Sophie Tucker (I think) half a century ago, so providing a vast stream of ageing people with a psychological tonic. Even though we knew she was lying, millions of us ancients have since taken her words as a reassurance that our prospects did not end with our 30s.

The same tonic will alas be of little use to members of today's younger generations—or to those who live in the United Kingdom at least. For UK employers seem largely to have decided that working life ends at 40.

Anyone older is now rarely deemed worth recruiting to an executive or key specialist job, according to a research study led by Bob Whitney, a director of the MSL International recruitment consultancy. The researchers examined 928 job advertisements in British papers and magazines to see what age limits employers set on various types of senior posts.

The study was limited to advertisements which cited ages in figures. If the limit was stated fairly loosely it was assumed to signify a range of ten years. For example, "30-plus" was taken to mean 30-40 which is probably a longer span than the employer intended. Moreover, ads seeking "accountants with two to three years post-qualifying experience" or the like were excluded even though they clearly showed an insistence on youth. So the proportions of posts which are in practice barred to candidates over 40 are greater than those indicated by the research, which were as follows:

| Job category | % "at most 40" |
|---|---|
| R & D/scientific | 94 |
| Sales/marketing | 93 |
| Engineering | 90 |
| Financial | 89 |
| General management | 82 |
| Others | 87 |
| Overall | 88.5 |

Even if those figures were not an understatement of the reality, they would still make depressing reading for anyone past very early middle age. But Mr Whitney, like the Jobs column, thinks they also have disturbing implications for the UK economy.

Given that in all key occupations the practical experience workers gain from their early 20s onwards is at least as important as any theory they are taught beforehand, can Britain afford so largely to refuse progressive job changes to people over 40 years old? And what effect is the blockage likely to have on sensibly security-conscious managers and specialists moving into their later 30s?

With their prospects in the external employment market fast dwindling, they will surely not be inclined to take many risks. Their tendency will be to concentrate on playing safe for the quarter century or so that remains between them and their pension.

"It's hard to believe that the heads of the companies concerned can be aware of the limits that their recruiters are applying," Bob Whitney says. "What's more, age cut-offs as low as these seem to be a peculiarly British phenomenon."

In West Germany people are seldom appointed to top jobs until they are in their late 40s or 50s. In countries such as the United States, Canada and evidently France similar limits are ruled out by laws forbidding inappropriate discrimination on grounds of age.

Nor does the fact that age discrimination is still legal in the *UK* make *it* any the *less* stupid. The number of calendars people have lived through is well known to be one of the poorest indicators of their working skills and knowledge, personality, character or even health.

Any claim that older folk are bound to have run out of productive steam is utterly at odds with the evidence. For instance, Sir Henry Royce did not start designing engines until his mid-50s and produced those which won the land and sea speed records when he was over 65. Adenauer led West Germany at the age of 86. There are countless other examples.

Age is not even a sound indicator of physical productivity. Philip Schofield, a friend of mine who used to work for a quarrying company, recalls that it employed several gangs of three men to break up big chunks of stone with sledgehammers and hand-load them into skips. The head of each trio chose his own workmates, and the gangs tended to be of two kinds.

"Some were composed of large muscular young men, stripped to the waist in all weathers; the others of men mainly in their 50s and 60s, small and wiry like ferrets, who invariably worked in woollen vests and flannel shirts the year round. A gang of young men would produce some 70-80 tons a day; an older gang from 85 to over 100 tons."

So there can be little doubt that organisations which allow their recruiters to impose arbitrary age restrictions on job candidates are thereby denying themselves access to large supplies of productive ability. It also seems likely that if UK employers are not sensible enough to give up their prejudice against over-40s, inappropriate age-discrimination will eventually be made illegal in Britain too.

Even at the time of the last general election in mid-1983 people aged 41-plus constituted 55.4 per cent of those old enough to vote. And while this year's polling may already be too close at hand for any political party to realise the benefit of promising "age equality," by the time another election is due in 1992 the over-40s will hold over 56 per cent of the votes and be more worth courting still.

## Three in City

HEADHUNTER John Williams is offering three jobs in the City of London on behalf of clients he may not name. So he—like the other recruiter to be mentioned later—promises to honour any applicant's request not to be identified to the employers at this stage.

Two of the posts are with the same company: a large international money-broking concern currently expanding its London operations. Each of the newcomers will lead a group, one being concerned mainly with currency options and the other with inter-bank swaps.

Candidates should already be thriving in similar work with either a broking house or an established inter-bank trader with highly developed business contacts.

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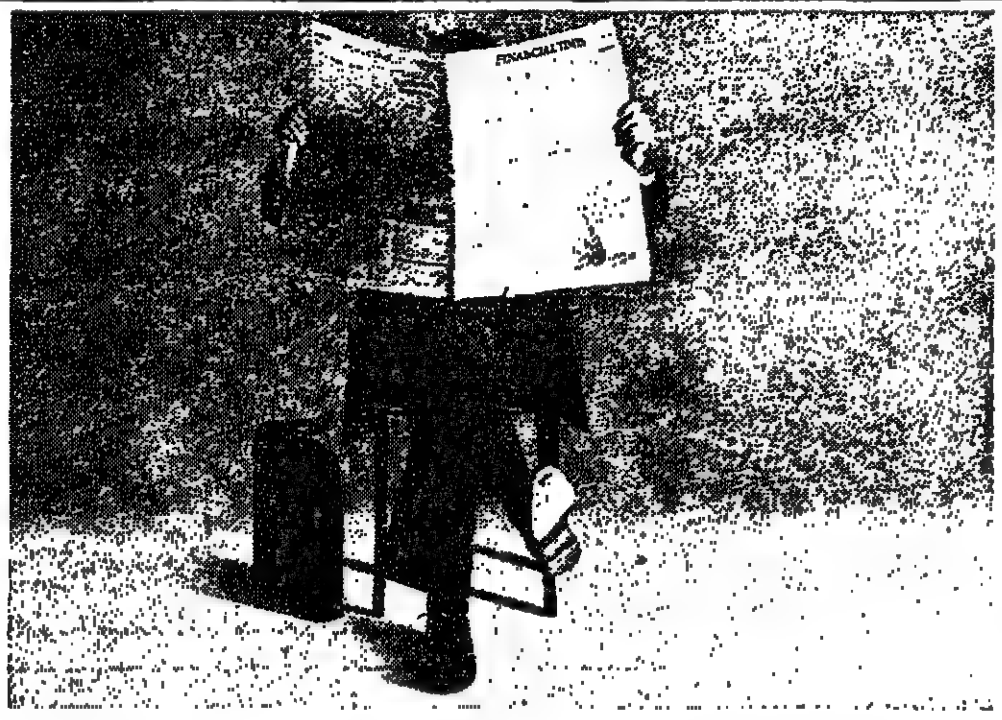

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# THE ARTS

## Television/Christopher Dunkley

# Limbering up to last through the night

When the BBC decided that suppression was the better part of valour and withheld the episode about the Zircon spy satellite from Duncan Campbell's *Secret Society*, they emasculated the series. The Zircon programme is a remarkable piece of journalism, and to show the series without it is a little like exhibiting your prize bull at Smithfield having first castrated it. The remaining programmes tended too often to be so-whatish. The electoral register is now stored on computer as well as in print: so what? It has always been freely available in public libraries. If war broke out military transport would have priority on some motorways. So what? Who expected anything else?

However, the fourth (and for the moment last) programme did have a highly revealing story to tell about the uselessness—and the enormous public expense—of four British radar systems: Rotor, Linesman, Nimrod and IFF. Each was supposed *to be for our protection*; we paid billions for the four of them; none worked properly; and even though a Select Committee asked for a full report on Linesman it was never provided. Campbell's investigation was carried out in the best *tradition of the dictum* attributed to the 19th century editor of the The Times, John Delane, that the first duty of the Press is disclosure.

Stratford Johns and John Hannah in "Brond"

★

The first episode* of Channel 4's new drama series *Brond* opens with a coup de théâtre when Stratford Johns, in the title rôle, pushes a little boy off a high bridge — presumably to his death — and saunters on with a wink to the camera, leaving only a metaphorical *whiff of sulphur* in the air. Nobody bats an eyelid at this odd behaviour, except our hero, the student Robert, and even he seems incapable of believing his own eyes. Later, at a party of the Lit. Soc., he sees Brond again, and the air is full of words such as "satan."

Later again there is much of that odd, echoing Celtic music which, in the grammar of television drama, means "Listen chaps, there's something a bit spooky and other-worldly going on here". This atmosphere, mid way between the criminal and the supernatural, is quite competently managed . . . so why am I convinced that there is going to be less to all this than *meets the eye? It is, I suppose*, the deliberation with which the *mystification* is contrived.

★

Whenever the expansion of television is mentioned somebody always asks "What are *they going to use to fill all those* extra hours and extra channels and new satellite services?" Up to now it has never seemed to me a serious problem or even a question that was really worth asking. In some cases there will be a huge increase *in existing services*: news *filling* an entire channel 24 hours a day, available whenever you want it instead of appearing within a mixed schedule once every two or three hours; the same with children's programmes, music, and so on. Even without that sort of radical change, there has never yet been any shortage of ideas or programme makers to fill every increase in time which has become available.

However, there does now seem to be a tendency to make whole series of programmes, particularly documentaries, where, once upon a time, a single programme would have been considered sufficient. *BBC2's Painting With Light, for* example, already seems rather overstreched and it has scarcely begun. *A Car For Africa* on Channel 4 is not just one 60-minute programme about a peculiar wooden vehicle, but an entire series—all of them looking and sounding like lengthy commercials. Similarly *Edge Of Life* on BBC2 is not the single programme we would expect about a premature baby unit, but a whole series. This might be just a coincidence, but it does begin to look as though programme makers are being allowed to spread themselves somewhat indulgently.

★

So far as extending the hours of existing channels is concerned it seems clear that—as predicted—the chief constituent is going to be old movies. Channel 4 is already staying on the air until 2.30 or 3.00 on Thursday, Friday and Saturday nights, and on Fridays they are running the very promising series *After Dark* which is the most relaxed, informative—and the longest—discussion format I can remember. The technique of lighting the participants on their rectangle of sofas in an otherwise darkened studio is extraordinarily effective. On the other nights, however, Channel 4's chief offering is old movies.

Now it seems that the same will go for Thames when they start late night transmissions on ITV in the London region on June 1. For two months they will be closing down at 4.00 am but from August they will run right through until the breakfast show starts at 6.00. For the first two months, on Mondays they will offer the American sixties series *I Spy*, a sports programme, and a pre-1945 Hollywood movie; on Tuesdays a Continental movie, a country and western programme, and a TV-movie; on Wednesdays a "tough- guy" movie, the series *That's Hollywood*, and a British horror film; and on Thursdays *Prisoner of Cell Block H*, a pop programme, and a British film. There will also be news headlines at 2.00 each morning.

★

What a splendid idea to organise *The BBC Design Awards*. Leaving the final decision to viewers seems a bit of a gimmick, given that most of us will never actually find ourselves using a microlight aeroplane, an excavator, or a cement mixer, and even those objects which many of us would use—a portable computer terminal and a bathroom suite—should presumably be tried for ergonomic considerations before voting. True, you can go to the special exhibitions in six cities, but clearly most of those who vote will not. Despite all that, it *is* a good idea for the award scheme to be run on television: even with *Frocks On The Box* and Channel 4's various contributions, there is still much too little about design on television.

★

With our attention being diverted more and more to the electronic hustings it is worth keeping in mind the programmes which the BBC has chosen to sit on because of the election, then we shall be ready to return to them after June 11. Those that we know about so far are *The Falklands Play* by Ian Curteis, a jingoistic yarn in the familiar tradition of *The Dam Busters*, now available as a paperback from Century Hutchinson (£3.95); *Campaign*, a drama series about political manipulation; and a documentary re-evaluating the Profumo scandal. It has been interesting, in view of the BBC's voluntary ban to follow the current serialisation in the Sunday Times (scarcely the most left wing of newspapers) of the book by Phillip Knightley and Caroline Kennedy which makes it pretty clear that in 1963 the establishment closed ranks, framed Stephen Ward and carried out a remarkably successful damage limitation exercise.

★

A few addenda are necessary following my column on commercials four weeks ago. It seems that the tedious Roman legionnaire series is neither for Corby nor Harlow New Town but for Peterborough, and the parody of the Levi's launderette commercial is not for Carlsberg or Watney's but for Carling Black Label. Moreover the Airline spoofs are, of course, not advertising The British Airways Authority but the British Airports Authority. The last error was a slip of the typing finger, but the others suggest that these extremely expensive advertisements are not having quite the desired effect in terms of establishing brand awareness.

## Ensemble Modern/Elizabeth Hall

**Andrew Clements**

Grateful though London concert audiences might be to the Festival of German Arts for the opportunities it has provided to hear the likes of the Berlin Philharmonic and Fischer-Dieskau, the programmes so far have told us little about the less glamorous areas of music in the Federal Republic. The survey of contemporary composers has been scanty, so that Monday's visit to the Elizabeth Hall by the Ensemble Modern conducted by Peter Eötvös was a genuinely good deed in a box-office conscious world—an uncompromising selection of new and nearly new scores delivered with enormous energy and panache.

Only Bernd-Alois Zimmermann's *Musique pour les soupers du Roi Ubu* (1966) had been heard in Britain before, and it made an attractive concert-opener in this context. It is one of the least tendentious of Zimmermann's stylistic collages, a seven-movement suite, called a *Ballet noir* by the composer, around and about the Ubu plays, in which Alfred Jarry himself appears as a surreal narrator, delivering epigrams between the movements while traversing the platform carrying a bicycle.

The music is almost exclusively borrowed: a vast array of quotations grafted on to the frameworks of 16th and 17th dances, and misfiring as often as the parodies hit their targets. The hard-edged conjunction of the Ride of the Valkyries with the March to the Scaffold from the *Fantastic Symphony* makes a splendid finale, while an earlier version of *Siegfried Idyll*, played on double-bass harmonics to the accompaniment of snare-drum brushes, seems splendidly appropriate. Elsewhere, though, the humour seems coarse-grained and often out of focus.

Between the Zimmermann and Eötvös's *Chinese Opera* a concise piece of scene-painting by the Korean-born, West German naturalised Isang Yun, *Impression* (1986), made a pleasant enough interlude, surefooted in its harmony and imaginatively scored. Eötvös's work, though, has an altogether larger stature, and is conceived on a far more ambitious scale than anything of his I had heard before. The title does not imply any anecdotal significance; it simply signals, says the composer "an 'opera' of my own bordered province."

The reality is a work in six sections—"scenes," to borrow Eötvös's terminology—each of which is dedicated to a different stage director: Brook, Bondy, Wilson, Gruber, Tati, Chêreau Despite the elaboration of the theatrical overtones the piece can be appreciated as an abstract argument, a sound-world that takes Boulez as its starting point yet moves towards processes and harmonies that are much more earthy and direct, creating music of real pungency and energy. It ought to encourage British-based ensembles to explore more of Eötvös's music, though whether they would be able to generate the impact of the Ensemble Modern's performance under the composer remains to be heard.

★

The Ensemble began life as an offshoot of the Junge Deutsche Philharmonie, and another of that organisation's satellites, its chamber orchestra, visited the Elizabeth Hall on Sunday. Its performances of Strauss, Henze and Shostakovich were immaculately groomed, but the occasion lacked any kind of intensity; the conductor, Harry Christophers, had evidently prepared his players scrupulously enough yet done little to impose a corporate identity upon them. Most successful was Henze's Double Concerto for oboe and harp, one of his most langorous essays in seamless lyricism, but given here with fastidious elegance by the oboist Klaus Becker and harpist Ursula Holliger.

## Portraits Plural/Malvern Festival Theatre

**B. A. Young**

Reduced to its outline, William Douglas-Home's new play consists of studies of Augustus John—painting portraits of three sitters, General Montgomery, Matthew Smith and Cecil Beaton. But across this episodic form is laid a sensitive analysis of John's character as displayed in his reactions to these three very different men.

Montgomery, his North African victories behind him but the Second Front still ahead, is here an insensitive, practical man, submitting to his portrait as a duty—so naturally he brings a staff officer with him, a young colonel with artistic ambitions, given no name but Joe. John cannot get on terms with Monty. "You're a soldier with something on his mind and I can't paint it," he says; and pointing to Joe, "I'd rather paint him." In an attempt to open the General's mind, John invites Bernard Shaw to attend the sittings but this gets him nowhere. Shaw also turns to Joe and talks to him about Shakespeare (which sends him to sleep).

The next sitter is Matthew Smith, so depressed by the death of his two sons in the war that he can no longer paint. John and his former model and mistress Dorelia, trick him. When the portrait is done, John puts a new canvas on the easel. "Now it's your turn," he says. The trick succeeds and is then reversed: when John is himself unhappy about painting and Smith is once more successful, Smith lures him away to a long holiday in France.

The third sitter is Cecil Beaton. Simon Ward, who plays all three sitters, has the best time with this flamboyant character. He does a wonderful little dance across the stage, visibly changing from the elderly Matthew Smith into the determinedly youthful Beaton, sitting at a mirror to perfect his appearance. Dorelia believes this will be John's last portrait. When it is done, she and Beaton unite in exaggerated praise—until, John having left the room, they agree "Good. But not very good."

What is so enjoyable about this play is that it is a play for acting. All the characters except Joe (likeably played by Stephen Boxer) are based on real people. But they are acted, not impersonated, *except perhaps* Richard Wordsworth's Shaw, Keith Michell, unrecognisable under grey hair and beard, shows all John's characteristics, as the author and director, John Dexter, has gleaned them from Michael Holroyd's biography; but he is as much a figure in a play as Othello is.

Simon Ward can never be more than an approximate Montgomery, he is the wrong shape; but the character we knew is there all right. His Cecil Beaton, camp in spite of his efforts to be dignified, decorous under John's jokes about Greta Garbo, is splendid. Dorelia, now elderly but still graceful, is nicely played by Pamela Blane and the author effectively keeps her to fill the stage after the guests at John's funeral have gone.

The production is enhanced with pretty theatrical details—Harry Graham's lines on Augustus John are sung offstage behind the action, the stage revolves in mid-scene to show fresh prospects. All the action takes place in John's studio whether in Chelsea or in Hampshire. Designed by Brien Vahey it is littered with clever *suggestions, no more, of John's* canvasses.

## The Martydom of St Magnus/Donmar Warehouse

**Max Loppert**

The London International Opera Festival plunges into its schedule of stage activities with the Opera Factory London Sinfonietta production of Peter Maxwell Davies's chamber opera *The Martyrdom of St Magnus*. A brave choice, this was the first of the composer's Orkney-inspired music theatre compositions, but unlike *The Lighthouse*, its most important successor, it has not been widely taken up by small ensembles.

For anyone fortunate enough to have attended its 1977 premiere in the St Magnus Cathedral at Kirkwall (the event inaugurated the first Orkney Festival), *The Martydom of St Magnus* will always be inextricably associated with the magical numinous atmosphere, the sense of art, history, *time* and place all combining, that marked an unforgettable occasion. And, while the *composre states in a fore-*word to the score that "productions in other buildings — theatres of various kinds, churches—are possible", it is as a church opera that one has always considered the piece.

On Monday, Stephen Langridge's production showed us an intentional and courageous wresting of the work out of the church and into the studio-type theatre conditions promoted by both the Donmar and the Opera Factory "house style." It was a small-theatre performance almost in the round (as the composer desired), fluidly operated from all corners of the building's compass. Otherwise, and apart from the excellent qualities of the playing and singing under Paul Webster, it seemed to me about as wrong-headed an "alternative" presentation as it is possible to imagine.

Acoustically, the Donmar is a disaster: the reverberance calculated into the scoring, which made the brass writing and the plainness of the voice *parts so powerfully* telling, was entirely absent — and without it most of the physical impact of the music simply evaporated. For much of the evening I sat struggling to recall how and why I was once so swept away by so much of it. (The voice-and-guitar soliloquies for Blind Mary, delivered with superb tough authority by Mary King and Timothy Walker, were fortunate exceptions to this general rule.)

But more important, the frenetic first-lesson-in-method-acting style of the staging, with its general indulgence in fierce face-pulling and athletic misuse of ladders and blackboards, only served to underline the ponderous banality of too much of the libretto. Near-farce, of the unintentional sort, was often only just round the corner; the gruesomely infelicitous handling of the "news flashes" scene (from the first the opera's dramatic weak point) provided a special moment of deep embarrassment. The singing — of Nigel Robson, Tim Yealland, Adrian Clarke, Tom McDonnell, and the already-mentioned Mary King — is excellent, better (I would say) than that of the original cast. Unfortunately, that is insufficient to save the show on its own.

## Pollini/Festival Hall

**David Murray**

Maurizio Pollini's London recital for this year, given to a packed house on Monday, consisted *of four* Beethoven sonatas. Pollini tends to sound enigmatic even beyond his norm in Beethoven: *Innigkeit* is not his style, nor does he go in for dramatic pedagogy in the manner of Austro-German master pianists. Neither does *he brandish his superlative* technique, though in a movement like the "Appassionata" finale it cannot help but dazzle. That was what concluded this recital, drawing cheers from an audience which was, perhaps, relieved to have something that invited an unequivocal response.

He had begun with the A-flat Sonata op. 26, the one with the "Marcia funebre" and the opening variation-movement. There he cultivated a dense, mahogany-coloured tone, and noticeably less staccato than Beethoven prescribed; the effect was of a series of firm statements, though the rippling last variation took on the familiar Pollini sheen. The Funeral March was properly dour, and the finale of course brilliant, but the expressive intentions remained elusive.

The Sonata "Les Adieux" had much more vital presence, even overt feeling, and in the final "Retour" Pollini's extraordinary ability to find nuances in profusion just where rapid tempo and cheerful material would seem to preclude them was exemplary. The tender little F-sharp Sonata op. 78 was odder: no trace of wistfulness (after the tiny Introduction), but forthright brightness, unhestitating and unshaded. The Allegro vivace was marvellous pianism, fleet and silvery.

In the "Appassionata," Pollini's unyielding control of every detail produced something like a representation of a drama, rather than a live enactment—but vastly impressive to *hear. The pointed, steady deve*lopment of the Andante was in its way no less of a feat than the *formidable* lucidity and drive of the final Allegro.

## Burning Point/Tricycle, Kilburn

**Michael Coveney**

John Cooper, prospective Labour MP for one of the safe Conservative seats in Surrey, stole a march on his more predictable colleagues on Monday by opening his Election campaign with a new play in the Kilburn High Road.

Mr Cooper is a barrister and produced playwright who obviously possesses a theatrical instinct superior to that of, say, Sir Geoffrey Howe or Mr Frank Field. He takes the theme of an *inner city riot, shows the death* of a policeman in a kerfuffle, and pursues the arrest of an innocent black boy. Bob Marley (the name was his mother's idea), against a background of a police charity show and a burgeoning romance between *Bob and the white girl*, Tanya, who actually seized the fatal brick.

In the wake of Toxteth, Bristol and Tottenham (there are faint echoes here of the dreadful murder of PC Blakelock on the Broadwater Farm estate), Mr Cooper attempts to discuss the function of community policing and hits on the failure of trust compounded by absurd cultural gestures — the broadcast of canned community sing songs — in one or two sharp little scenes. One of the arresting officers, Grantham (Jonathan Phillips) is painted as sympathetic in his attempts to "understand" both Bob and Tanya. His colleague Hollins (Ian Targett) beats a confession out of Bob, who is well played by Geff Francis as a hunted innocent reduced to a bloody pulp, owning up to robberies he never committed.

*In the end, though, the play* is top-heavy and disorganised, weaknesses not disguised in Joan-Ann Maynard's stilted production on a set of corrugated plastic and pull-out interiors (designed by Jill Muirhead).

The piece ends not by resolving Bob's legal position, or his relationship with Tanya, but by suddenly turning the tables on the sadistic alcoholic Inspector Seed (Arthur Cox) and showing Grantham as one who can only resort to the rule of the riot shield whatever his good intentions.

There are too many loose ends and the concert party is, structurally, a shambles, in spite of an amusing intrusion by the local friendly tramp (Godfrey Jackman) who handed the two youngsters into police hands but who now protests by streaking at coppers' charity *shows. It is all rather messy*, but I daresay Mr Cooper will have plenty of time to brush up his compositional techniques after June 11.



# Arts Guide

*Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.*

May 15–21

## Theatre

### LONDON

**Les Liaisons Dangereuses** (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel remains in London with Jonathan Hyde and Eleanor David replacing new toasts of Broadway Alan *Rickman* and *Lindsay Duncan*. (836 6111 or 836 1171).

**Woman in Mind** (Vaudeville): Pauline Collins and Michael Jayston now lead a new cast in Alan Ayckbourn's bleakly ingenious comedy about a housewife fantasising the ideal family on the back lawn. (836 9987/5645).

**High Society** (Victoria Palace): Dramaturgically sound but musically weak conflation of film, play and assorted Cole Porter hits directed with punch but little taste by Richard Eyre, director designate of the National Theatre. Stephen Rea notably charming in the Sinatra role, Natasha Richardson uncowed by Grace Kelly as the ice maiden who melts (834 1317/828 4735).

**Antony and Cleopatra** (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

**Macbeth** (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

**The Phantom of the Opera** (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

### TOKYO

**Kabuki** (Kabuki-za): The dance section of the matinée is the best bet for newcomers. Famous actor Baiko dances the charming wisteria maiden, and Kanzaburo an old Buddhist priest begging for alms. The highlight of the evening performance is Funa Benkei, symbol of loyalty to the Japanese. A lively and typical Kabuki scene is the battle between the water-borne ghost and General Yoshitsune's followers. English programme and excellent earphone commentary. (541 3131).

**Kabuki** (Shimbashi Embujo): Ennosuke stars in his own version of Yoshitsune Senbon Zakura (a more adventurous – even audacious – version of the play at Kabuki-za) Ennosuke's productions are the most spectacular in the form today, especially his quick-changes and trapeze acts. His ghost and fox roles are great fun. For first-timers to Kabuki this is a must (541 2211).

### NEW YORK

**Fences** (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

**All My Songs** (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and *choreographically feline*, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**I'm Not Rappaport** (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

**Big River** (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**Starlight Express** (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

### CHICAGO

**Tempest** (Goodman): Company artistic director Robert Falls directs Denis Arndt as Prospero in a new production with sets by Adrianne Lobel. Ends May 29.

**Pump Boys and Dinettes** (Apollo Center): Facetious look at country music and *down-home country* life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

### WASHINGTON

**Opera Comique** (Eisenhower): Anne Jackson and Eli Wallach star in Nagle Jackson's new comedy. Ends June 6. Kennedy Center (254 3670).

## Curiosity—Suzanne Vega

**Antony Thorncroft**

Pop music is arguably the great therapy of our time, fulfilling the emotional needs of quite *disparate* groups of people. Perhaps the largest, and healthiest, sub-culture is pubescent girls, who fasten on to bands of pretty boys for their fantasy figures. Curiosity Killed the Cat are currently the best at this, but rather perversely, *preferred to play on Sunday* at the cramped Town and Country Club in north London rather than test their undoubted popularity at some larger venue.

It was a frenzied occasion. Many fainted; many were pickpocketed. It hardly mattered: *Ben and the boys were close* at hand, belting out trivial pop songs with just enough bite to penetrate the mind. Indeed some, like "Free," with its Sade-esque undertones, could survive the year. Subtle use was made of the saxophone, and *unsubtle use of lights to scan* the audience. Although a quartet, Curiosity is just a vehicle for Ben, he of the fisherman's cap and eccentric dancing. He handled the chat and wooed the audience, and will ensure that Curiosity will have its brief moment strutting the stage. Many will be happier for it.

Happiness of a different kind came from Suzanne Vega at Hammersmith Odeon on Monday night. This seasoned American *appeals to that older group* which locks itself away in upstairs rooms to write poetry. She is in a direct line of descent from Leonard Cohen and delivers melancholic slivers *of songs to cut your wrists to*, limply held together by guitar. A fragile figure in an Oxfam dress, it is no surprise to learn that Suzanne is a Buddhist; she tranced the audience into reverential ecstasy.

This is difficult stuff to do *well. Hitting the right note*, somewhere between pathos and pretension, requires genuine sensitivity, and although new lyrics may not sustain serious examination, with a band that gently rocks and a voice of honest passion Suzanne Vega *projects an image of soulful* sweetness. Songs like "In the eye" and "Solitude standing" may not put a spring in the step, but at least they celebrate the fact that love and maturity bring tears and fears as well as the good times celebrated *by Curiosity Killed the Cat*.

## Saleroom

A copper red glazed vase of the late 14th century sold for £863,076 in Hong Kong yesterday in the auction of the T.Y. Chao collection. When measured in Hong Kong dollars it was a record price for any item of Chinese art at auction. The rare Ming vase had been discovered in Europe in 1980 *being used as a bedroom lamp* and was sold by Sotheby's to Mr Chao for £290,000.

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# Some common ground in sight

THE TERM "irreversible shift" used to be associated with the British Labour Party in the days when Mr Tony Benn was at the height of his influence. There can be no question as to who has the claim to it now: it is Mrs Thatcher's Conservative Party.

The evidence for that lies not so much in the Tory manifesto, published yesterday, as in the way that the other parties are trying to catch up. Perhaps not surprisingly, the Alliance manifesto, which came out on Monday, was a pale imitation of the Thatcherite belief in privatisation and the market economy, tempered by a social conscience. The Labour manifesto is a revelation. If Labour had been able to produce documents like Britain Will Win in the late 1970s and early 1980s, and so apparently free to dispense with conference resolutions, there would have been no need for the Social Democratic Party to have been formed.

Britain Will Win is far from perfect; the faults, however, are written smaller than they used to be and the document is much shorter. Active membership of the European Community is accepted without so much as a blush at the memory that the subject has split the Labour Party for the last three decades. Even the commitment to a non-nuclear defence policy, so controversial when it was adopted last autumn, has been toned down to the point where it is almost an apologetic footnote. Widespread public ownership is out along with the old deference to the trades unions. The sale of council houses is not so much accepted as welcomed. The approach to public expenditure is restrained. One of the few concessions to the far left is the proposal for locally elected police authorities.

### Same emphasis

It remains to be seen how all that will go down with the party conference and whether a Labour government, if elected, could get away with enacting such a relatively moderate programme without trouble in its own ranks. At face value, however, Mr Neil Kinnock has gone a long way towards bringing his party into the 1980s.

Where he is still looking backwards, he has much in common with the Alliance. There is the same emphasis on the creation of new ministries and an industrial strategy that made the Alliance manifesto look so dated. Labour and the Alliance alike would abolish the assisted places scheme in public schools. Yet both documents are a tribute to Mrs Thatcher's achievement in breaking with the past.

The Conservative manifesto, The Next Moves Forward, is said by its authors to be radical to the verge of revolutionary. Up to a point, it is. The proposals on education, already foreshadowed in speeches by Mr Kenneth Baker, the Education Secretary, would go a long way towards restoring the old direct grant schools and greatly reducing the power of the local authorities. Similarly, the central government appears set to be much more interventionist in housing policy—a subject that has belatedly gained prominence in all three manifestos.

For the most part, however, the Tories are promising more of the same: more privatisation and more of an enterprise culture, though perhaps at a faster pace. There may also have been a learning process: the further measures proposed to reduce unemployment, such as the guarantees of training, no longer differ all that markedly from those put forward by the Government's most informed critics. Insistence on job training and technical education, indeed, is now common to all the political parties—a case perhaps of the Government learning from the Opposition.

The Next Moves Forward has its weaknesses, none the less. There is a peculiar reluctance, for instance, to recognise the need for any kind of constitutional reform. The old institutions, it seems, can go on working till they bust. The most that the Prime Minister would say yesterday is that she might reorganise the machinery of government after the next wave of privatisation. Here the Alliance has the edge.

### Absence of compassion

It is also strange that the Government can boast of the country's new-found economic strength and growth, yet still shy away from any definitive commitment to enter the exchange rate mechanism of the European Monetary System.

There is, too, for all the Tory schemes to improve education, keep up the health service and reduce unemployment, an absence of compassion in the language that could yet cost the party dear. The Conservatives may do the job in the end; they do not always appear to do it with feeling.

Above all, there is a trend towards centralisation, which may be justifiable as a means to an end, but will be dangerous if it becomes an end in itself. Some of the local authorities may be incompetent and a few of them loony. They may need t obe by-passed for a while. Yet Mrs Thatcher did promise initially to reduce the role of central government. In areas such as housing and education, the reverse is happening. The trouble with power is that it is difficult to give up.

# America's role in the Gulf

THE SURPRISING thing about Sunday's Iraqi missile attack on the US frigate Stark in the Gulf, which killed 37 American sailors, was that nothing of the kind had happened before.

Fears that the Gulf war might draw in countries other than Iran and Iraq have been expressed often enough since it began in 1980. Yet despite attacks on more than 300 merchant vessels since then and persistent Iranian sabre-rattling against external intervention, none of the 10 or more American, Soviet, British and French warships sailing in the waterway has hitherto figured in the gunsights.

The danger—now that the US has become directly involved—is that Americans will be panicked into drawing hasty conclusions.

On the one hand, voices will be heard arguing that Sunday's apparent blunder proves how dangerous involvement in the Gulf is for US warships, which should be withdrawn forthwith. That was certainly the tenor of comments from Iran, which said that the US had been "miserably trapped in this event." On the other hand, there will be suggestions that the incident should prompt America to mount some dramatic new political or military initiative in the region with a view to bringing the war to a speedy end.

### Dangers underlined

The attack should not necessarily lead to either conclusion. In the first place, it is not totally certain that it was an accident, as the Iraqis claim and the Americans appear happy to accept. It does, after all, appear to have served a long-term Iraqi goal — to involve outside powers more closely in the Gulf war.

What the incident indisputably has done is to underline once again the general dangers inherent in the conflict, and the folly of the Western tendency to regard it as a rather remote sideshow which can be allowed to grind on until each side wears the other down.

### International effort

In the light of the persistent attacks on neutral shipping, the presence of foreign warships in the Gulf is indispensable. Nor should Sunday's Iraqi attack deter the US from plans to place some of Kuwait's tankers under the American flag, with the implicit assurance of US naval protection. Such a move, involving the most vulnerable of the Arab Gulf states whose ships have come under repeated attack from Iran in the past few months, is a necessary corollary to Washington's commitment to maintain the freedom of navigation in the Gulf. President Reagan is to be applauded for his swift reaffirmation of this pledge on Monday.

Equally, given the uncertainties surrounding Sunday's attack, the US should not feel rushed into taking any unilateral action beyond the quite proper precautions it has already ordered for its own warships. What is needed is a serious and concerted international effort to bring the Gulf war to an end, including a possible arms embargo against Iran, which has consistently refused to contemplate a negotiated settlement.

Such a move has been under consideration among permanent members of the United Nations Security Council for some time; Sunday's attack merely makes such deliberations seem all the more urgent.

World publishing

# Thriller with a chapter or two to come

By Jane Rippeteau

Peter Mayer of Penguin: 'What has been developing is international publishing'

SALLY BEAUMAN'S sexually-explicit first novel, Destiny, hit bookshelves across the English-speaking world almost simultaneously last month. The launch was linked to a marketing blitz that found the author "shooting around America, England and Australia," recalls Paul Scherer, her publisher at Bantam in London.

The US and UK units of Bantam were anxious for maximum promotion. They had paid nearly $1.5m for the Destiny publishing rights. The company, says Mr Scherer, managed to get "quite a worldwide marketing buzz going."

The buzz undoubtedly rang in the ears of publishing executives from Robert Maxwell's Mirror Group to Penguin, Random House, Harper and Row and others now moving to strengthen their own international clout. Because of Bantam's world position, says Mr Scherer, managing director of Bertelsmann's Transworld Publishers, which owns Bantam Press: "We could co-ordinate publicity, publication dates, marketing, even the ability to move stock around."

Competitors, he believes, want the same promotional fine-tuning and profit-enhancing economies of scale. "What has been developing, really," concurs Peter Mayer, chief executive of Penguin Books, "is international publishing."

The evidence is everywhere. This week came Robert Maxwell's $2bn bid for America's Harcourt Brace Jovanovich, following upon Rupert Murdoch's News America Holdings' purchase of Harper and Row. The big American publisher is now in league with Britain's prestigious William Collins.

Last year, Bertelsmann of West Germany, which had already acquired Bantam, snapped up the financially-troubled US hardcover and paperback giant Doubleday for about $475m. Penguin itself, which has owned Viking of the US since the 1970s, enhanced its international forces last autumn, paying £46m for the mass-market paperback house, New American Library, with its A. A. Milne childrens' books and scary Stephen King novels.

Likewise, the May 8 agreement of the Newhouse group's Random House to pay an estimated £20m for most of Britain's Chatto, Virago, Bodley Head & Jonathan Cape will secure "a transatlantic tie" between two concerns already publishing many of the same authors.

Random House gets what one literary agent describes as "three of the five leading UK publishers of quality books," frosted with access to their export markets. Max Reinhardt, chairman of Bodley Head, says half of his company's books (which include those of author Graham Greene) are sold overseas, compared with about 10 per cent for the average US publisher. "We are much more export-minded," he says.

These and other deals add up, says Kendrick Noble, first vice president at Paine Webber Inc in New York, to "the biggest merger wave in the past 20 years."

Anthony Sheil, a leading London literary agent who helped Catherine Cookson, the romantic novelist, capture a £4m advance from Bantam for her next ten books, thinks the spree can be explained by nothing more complex than "a built-in impetus in corporations to expand."

But it is clear that something more than the ambitions of a few very powerful individuals are at work.

Profitability—generating cash to spend—is certainly a factor. In the UK market, notes Tony Willis, publishing analyst at stockbrokers L. Messel, five years of recovery since hard times in the early 1980s has brought an average annual sales rise of 12 per cent, and profitability, he says, is eight times higher than five years ago.

Such growth attracts investors, says the dapper Paul Hamlyn, chairman of the flourishing Octopus Group. "The publishing of books is fashionable again," he says, with investors fuelling mergers as well as start-ups such as Bloomsbury and Headline Books. Hamlyn has just added Mitchell Beazley to several other acquisitions in the British market.

There is evidence, others note, that more professional and efficient management has found its way into book publishing, making companies with financial troubles — from Doubleday to Bodley Head—all the more vulnerable. Concedes Bodley Head chairman Max Reinhardt: "Our group needed money. Our overheads were too high for the turnover we had. Hopefully Random House will prove better managers than we have been."

Other executives, however, see more fundamental structural shifts at work.

One, Peter Mayer of Penguin, the publishing concern owned by Pearson, which also owns the Financial Times, says the increasing desire of publishers is to control their book properties in different markets and in different forms —from hardcover to upmarket paperback to mass-market paperback.

"The real heart of publishing —the business heart—is copyright, and the marketing and selling structures to use it," says Mr Mayer. His own company's recent acquisition of the New American Library in the US is an example.

"Penguin in the US is a trade paperback house, selling mainly through book stores," he says. "What we didn't have in the US was an ability to mass market," that is, produce, warehouse and distribute books for such outlets as newsstands, pharmacies and supermarket racks. It wanted, for instance, to be able to repackage a successful trade paperback in a rack size suitable for mass market outlets, or simply to publish the book as a rack product in the first place if that format suited it best.

The control of publication rights turns upon the way an author's copyright is sliced up, by format and geographical area. A typical publisher buying rights only for UK hardcover publication loses out if paperback rights are sold separately to an American publisher.

In the $10bn US market, crucial to any publisher's plans, because of its sheer size, Americans buy four to five times as many books as in Commonwealth nations. Also, UK booksellers are not constrained by price controls, as they are in the UK. In the US, says Mr Mayer, "the full market flair of book-selling is available because of discounting."

An author sells a publisher the right to publish his or her work in exchange for an advance on royalties—usually at least 10 per cent of the book's retail price. The author retains copyright, which last the author's life plus 50 years.

Arrangements for paperback publication can be included in the hardcover rights sale, with the hardcover publisher agreeing to license his rights to a paperback house. But in that case, royalties are split with the author according to a formula worked out in advance—say 40 per cent for the publisher and 60 per cent for the author.

This split, crimping profits for both publisher and author, is unnecessary if the hardback publisher can also produce paperbacks. Popular hardcover books often generate their biggest sales when they appear in paperback.

"Hardcover house were seeing so much more money earned by the paperback houses. They wanted to share in the profit directly," says Mr Mayer. At the same time, paperback publishers paying high prices for rights wanted to have hardcover capability as well so that they could deal directly with authors.

Richard Morris, finance director of UK publisher Hodder & Stoughton, also points out that the extended control can forestall loss of promotional interest in a book once it changes hands. "A lot of people see the merits of selling right on through," he says.

Publishing a book in multiple geographical markets is not always desirable. "Quality books are very much a product of a specific society," and may be published only within that society, says Mr Sheil. "With a world best-seller, a big commercial property, anything can happen. But most of the time this isn't happening. The market is much more individual and specific."

There is the sense, too, that the current passion for size in book publishing will feed on itself, as small publishers will have little hope competing against large ones able to pay advances of the Cookson or Beauman scale.

"Collins at the moment is flashing its cheque book around to buy into its list established authors," says an executive representing a 4,000-member writers' society in England. "The competition for certain people has intensified, but there may be a detrimental effect on promotion of new writing and the great majority of authors."

Less evident but also at work in the merger spree, some executives note, is the quiet but insistent whizz and whirr of electronic technology. "There is the thinking that this will require more financing than some of the small companies can afford," says Tim Rix, chairman of Longman.

Efficiencies of electronic systems—increasingly applied to book editing, production, and stock tracking—are more and more important to competitive strength, executives say. But electronics also make possible new forms of publishing that can lead to potentially lucrative resale of information for different markets.

A technical book, for instance, could be used as the basis of an electronic data base, regularly updated, and "resold" every time the data base is assessed by customers. Among such data bases already up and running is one from Longman which lists research at British universities, polytechnics and research institutions. It has made a slow start, says Mr Rix.

Electronic technology is expected to affect the so-called "knowledge" side of book publishing, including technical, scientific and academic books before it affects general books, notes Michael Turner, group managing director of Associated Book Publishers and current head of the Publishers' Association. He says general literary fiction books accounts for only a quarter of book sales, with knowledge books making up the rest.

Publishers, however, do report that a growing number of manuscripts are delivered on computer discs. Mr Rix says that of Longman's 1,500 titles published annually, between 5 and 10 per cent arrive on disc. He expects that to grow to 20 per cent and over in a few years.

It is unlikely that the potential of these changes at traditional publishers has been lost on such barons of new-technology publishing as Maxwell and Murdoch. When queried about Harper and Row's activities in this area, for instance, a spokesman retorted: "We're not in electronics. We are Old World."

Apart from production economies in general book publishing, new owner Mr Murdoch may well be temped to bring electronic data base technology to bear on Harper and Row's base in textbook and technical publishing.

Harcourt offers a similar gold mine for Robert Maxwell. Harcourt itself spent some $500m on professional and educational publishing last year when it purchased Educational and Professional Publishing from CBS.

The plot of this international best-seller is still unfolding. But it is already evident that its intricacies go well beyond a one-dimensional merger mania theme. It embraces all the complexities of a million-copy thriller.

MAJOR BIDS AND DEALS

| DATE | BUYER | BOUGHT | ESTIMATED VALUE (in cash and/or shares) | MOTIVATIONS |
|---|---|---|---|---|
| 1987 | News Corp including 40% of William Collins | Harper & Row | $300m | The prominent US publisher gained an international link through Collins. |
| 1985<br>1986<br>1986<br>1987 | Octopus | Heinemann,<br>Hamlyn,<br>Pan—holding increased<br>Mitchell Beazley | £107m*<br><br>£5m<br>£4.8m | Octopus expanded beyond its strength in the "own-brand" market it created in children's books, literary fiction, travel, etc. |
| 1987 | Random House unit of Newhouse | Chatto, Virago, Bodley Head and Jonathan Cape | £17-£20m | The US publisher shared three of the top UK publishers of quality literary fiction and their established export markets. |
| 1985<br><br>1986 | Penguin unit of Pearson | International Thompson's Michael Joseph, Hamish Hamilton, Sphere, Rainbird books, TBLBS warehousing,<br>New American Library | £20.66m<br><br>$65.5m | Penguin greatly swelled its UK trade publishing interests, then catapulted into a key share of the mass-market paperback business in the US. |
| 87 | British Printing & Communications Corp | Harcourt Brace Jovanovich | $2bn (bid) | In Harcourt, Robert Maxwell would also gain the CBS educational and professional publishing business. |

* This deal took the form of enlarging the share issue in Octopus and giving BTR (former owner of Heinemann) a 35 per cent share in Octopus.
Source: Financial Times; L. Messel.

## Rotberg's doubts over Bank's role

A genial bear of a man Gene Rotberg, the treasurer of the World Bank who resigned yesterday, has left his mark on the institution not only in the skilful handling of the bank's liquidity which has helped to lower borrowing costs to developing countries, but also through his character.

No dull bureaucrat, Rotberg has lent colour to an institution which, particularly during the past six years since Robert McNamara stepped down as president, was presenting a blander and blander image to the outside world.

His resignation has been rumoured for weeks, ever since it became known that as part of a major reorganisation Barber Conable, the president was planning to have his two senior vice presidents Ernest Stern and Moeen Qureshi, (to whom Rotberg reported) swap jobs.

Rotberg insists that it was not the appointment of Stern to the job of senior vice president for finance which triggered his departure, but rather doubts about the new post he was offered in charge of the bank's third world debt strategies.

"Something should be done about the state of the inner cities—now we're knee deep in manifestos"

# Men and Matters

That job he maintains is a job the president himself must play. Moreover, he adds, it is not clear yet whether the World Bank as an institution is going to be given the major role in the evolving debt crisis which the new job presumes. Indeed there is a growing suspicion in Washington that its sister institution, the International Monetary Fund, will continue to be the dominent partner

## Taylor's cloth

A man who can read a company prospectus written in Chinese soon attracts attention, even in a busy newspaper office.

And that was how Martin Taylor made his mark early when, in his twenties, he joined the FT's Lex Column.

For the last five years he has been slogging away at the management workface at Courtaulds, to be rewarded now with a boardroom seat at the age of 34, and the managing directorship of the £900m turnover textiles group.

Taylor replaces Allen Nightingale who remains as chairman of the textiles group.

A man with that modern executive habit of seeming to think faster than he can get the words out, Taylor, a product of Eton and Balliol, studied Chinese hoping for a Far East posting in journalism. He first joined Reuters for a four-year spell. But he was never given the chance to develop his Chinese farther east than Paris.

Christopher Hogg, chairman of Courtaulds, read some of Taylor's newspaper pieces analysing the problems of large companies, and was sufficiently impressed to offer him a job with line management prospects. For the past two years he has been responsible for the Courtaulds' £90m a year turnover outerwear group.

## Apes can stay

Members of the European parliament have just voted to spend £7m to save Community chimpanzees from enforced emigration to the US.

The parliament's 15-strong research and technology committee wants to spend the cash on protecting a small but select group of 20 Euro-chimps from the uscrupulous grasp of big-spending US research institutions.

That might seem odd to people who believe that the Community's technological mission should be more to do with stemming the brain drain rather than keeping apes at home—in this case at the European Primates Centre in Holland, a sort of rest home for laboratory chimps.

However, parliament officials point out that the move is intended to tackle a very serious problem. Little more than 150 top-quality chimps suitable for laboratory research are available in captivity throughout the world.

Like humans they take a long time to reproduce.

US research foundations have recently been trying to buy as many chimps as possible, driving up the price enormously, so the committee feels it has a duty to protect the Community's limited stock to help test drugs in the battle against major diseases.

Even the committee's animal-minded environmentalists joined the vote to insert the scheme into the European commission's medical and health research budget.

## Snap poll

Dog attacks on Post Office workers are on the increase, according to the Union of Communication Workers.

The union's conference in Jersey yesterday was told that attacks have increased by more than a third over the past 10 years.

One-in-30 postal workers can expect to be bitten each year and in 1986, they had to take 3,000 days off in sick leave, at a cost to the Post Office of £250,000.

John Taylor, assistant secretary of the Union of Communications Workers, told the conference that 5,560 of its members were attacked last year by dogs, most of which were pets.

Before Parliament was dissolved for the election, the union wrote to all 650 then-MPs about the attacks.

According to the union, Mrs Thatcher, for the Conservatives, considered existing legislation adequate. Neil Kinnock, for Labour, promised effective dog control measuries if Labour formed a Government. And David Owen, for the Alliance, said it wanted to see dog licence fees raised to a realistic level.

Edwina Currie, at the time junior health minister, saw common ground between Parliament and the postmen too, "Dogs attack MPs as well. It is not a laughing matter."

## Slow horses

I hear that the disappearance of stock market business "upstairs" to those electronic dealing rooms is posing major problems for one of the London stock exchange's more traditional activities, the annual Derby Sweepstake.

Electronic exhortations are apparently not selling the £2 tickets in anything like the numbers in which they were snapped up last year in those old-fashioned face-to-face dealings on the crowded trading floor.

With next Tuesday's deadline approaching, the draw—10 per cent of the proceeds of which go to charity—is decidedly off-course.

Maybe those suggestions that the redundant stock exchange floor should be turned into a branch of Ladbroke's are wide of the mark, after all.

**Observer**



هكذا من الأصل

**Martin Feldstein** looks at the prospects for next month's economic summit

The last time they saw Venice: Flashback to the 1980 summit. Only Mrs Thatcher from the group will be at this year's meeting

# A self-interested way to avoid death in Venice

THE Economic Summit in Venice next month is heading for failure. Although it is likely to produce the kind of harmony so beloved of politicians, it will be counterproductive in its impact on the economic policies of the world's key nations.

The critical test by which the summit should be judged is whether it leads to expansionary economic policies in West Germany and Japan and to reduced budget deficits in the US. Without such steps, unemployment will rise in Europe and Japan, and the US will remain on a path leading to higher real interest rates and reduced investment in plant and equipment.

Unfortunately, if international discussions continue on their present course, the summit will actually reduce the prospects for appropriate changes in national economic policies. If the summit participants reaffirm their commitment to stabilising the dollar at its current level, they will provide themselves with a false basis for concluding that other changes in their domestic policies are not urgently needed.

Thus if the Government of Japan believes that the yen will stabilise at 140 to the dollar, it will relax its efforts at expansion, comforted by the view that Japanese exports will not deteriorate much further and that the recently announced expansion of public works will be adequate to reverse the rise in unemployment. Similarly, if the West German Government believes that the D-Mark will not strengthen beyond the current exchange rate, there will be a complacent view that the country's unemployment will not get worse and no sense of urgency about providing additional fiscal stimulus.

But the premise that the dollar will not decline further is false. The market forces will continue to depress the US currency as it becomes clearer to investors around the world that the present level would continue to result in a US current account deficit that simply cannot be financed.

Another 15 per cent decline in the value of the dollar would probably bring the US back to trade balance by the early 1990s. But even that would still leave a massive current account deficit because of the interest and dividends that the US will have to pay on its rapidly growing external debt. And on top of the needed adjustment of the real exchange rate, higher inflation in the US than in West Germany and Japan means that the dollar must fall an additional 3 or 4 per cent a year just to maintain existing competitiveness.

The combination of the real exchange rate adjustment and the inflation offset means that within the next three to five years the dollar must decline by at least 30 per cent from its present level, implying a dollar exchange value of about 100 yen and DM1.35.

There is no way of knowing how quickly the financial markets will become convinced enough of the dollar's inevitable decline to trigger the selling that will eliminate its overvaluation. Neither massive government exchange market intervention nor the pronouncements of finance ministers and central bankers will be able to avoid or significantly slow the dollar's decline.

Although the central banks of Europe and Japan bought more than $60bn (£36bn) of US securities in the first four months of 1987 (enough to finance not only the entire US current account deficit during that period but also significant net selling of dollar securities by private investors around the world) the dollar has continued its rapid decline. The central banks cannot continue to buy dollar securities at the recent unprecedented rate. And when a consensus develops among private investors that the dollar must decline further, the avalanche of selling will be overwhelming.

The coming decline of the dollar will depress exports and raise unemployment in Europe and Japan unless further steps are taken to stimulate domestic demand. And the improved US trade balance will automatically shrink the capital inflow to the US and push up interest rates, unless legislative steps are taken to reduce future budget deficits.

The repeated assertion by officials of the summit countries that the dollar will not decline further induces a complacency that makes the necessary macroeconomic policy changes unlikely. Although Japan and West Germany are exhorted by the US to stimulate their economies in order to increase imports from the US and the developing countries, that is not a compelling enough reason for those two governments to abandon their domestically popular commitments to fiscal restraint. A far more persuasive argument for adopting expansionary fiscal policies is that the failure to do so would mean rising domestic unemployment as the declining dollar reduces their net exports.

Similarly, the American Government will not accept the political pain of cutting the budget deficit through a reduction of spending on middle class entitlements and an increase in personal taxes simply to satisfy the requests of its summit partners. The recognition that the inevitable decline of the dollar would otherwise push up interest rates and shrink domestic investment would be far more compelling.

Although a summit meeting is a proper time to reaffirm international interdependence and the spirit of international co-operation, there can be no doubt that self-interest is a stronger motivating force for national decisions than the principle of altruistic international co-operation. If the summit participants would only recognise the inevitability of the dollar decline and the futility of co-operative efforts to stabilise the dollar, self-interest would lead to the appropriate economic policies—policies that would help the individual countries themselves and the rest of the world.

If the seven heads of state have the courage and the wisdom to do what is right in Venice, they will say something like this:

"The necessary correction of the world trade imbalance has begun to raise unemployment in Europe and Japan and increase interest rates in the US. We recognise that the inevitable further decline of the dollar will exacerbate these problems unless we take appropriate countervailing measures. The governments of Japan and the European summit nations will, therefore, adopt fiscal policies aimed at increasing domestic demand and employment, while the US Government will pursue tougher budget reduction to avoid further rises in interest rates.

"Because those governments are eager to avoid the accumulation of additional national debt and the enlargement of government activity, the fiscal stimulus will take the form of targeted tax changes designed to induce private consumers and investors to accelerate the pace of spending. Such measures could include temporary reductions in value added taxes or the use of temporary tax credits for business investment and residential construction. Revenue neutral changes, in which the fiscal incentives are offset by temporary general, personal or business tax increases, would stimulate the economies without any increase in government debt.

"The US Administration will work with the Congress to develop a legislative package of reduced spending on middle-class entitlements and an increase in tax revenues that will cause the deficit to decline at a rate of $40bn a year. To minimise any adverse effects of such changes on individual incentives, the additional revenue will be obtained without increasing personal tax rates, by raising excise taxes and by reducing the automatic inflation adjustment of personal tax rates.

"All of the participants in this summit will, of course, continue to work to strengthen international trade in goods and services and to provide the kind of economic environment conducive to a resolution of the international debt problems of the developing countries."

*The author is president of the National Bureau of Economic Research and Professor of Economics at Harvard.*

**Politics Today: Argentina**

# A last chance to rejoin the First World

By Malcolm Rutherford

A RATHER daring plan is under discussion in Argentina to produce a new constitution and restore the country to full democracy. Although it may not come off, it is worth airing before it withers because, if it were to succeed, it could transform the country and perhaps—by example—much of the rest of Latin America.

A common outside view is that Argentina is already democratic. The military departed from power shortly after the Falklands War and the country is ruled by the civilian government of President Raul Alfonsin. That is not quite how it looks from within.

At present, there is constitutional government, which has a particular meaning in Argentina. The civilians are in office; the military still has influence. It is an uneasy compromise. No-one can be sure who, if anyone, will come out on top.

At Easter, sections of the military rebelled against the Government's policy of prosecuting the armed forces for past atrocities. In the end, President Alfonsin faced them down, yet not without making concessions. The word "amnesty" may be a little strong, but certainly there will be far fewer prosecutions of the military—for their role in abducting and killing some 30,000 Argentine citizens in the late 1970s, early 1980s—than there would have been if the Easter uprising had not taken place.

The Government has also compromised on economic policy. It allowed pay increases this month before they were due. The annual inflation rate is no longer in triple figures, but is unlikely to be below 50 per cent this year. So it is not surprising that the administration looks a bit shaky.

Yet there is one thing on which almost everyone is agreed: no one wants another military takeover, or at least not yet. When the military rebelled, a common feeling was: "Oh God, not again!"

For the time being, the choice is between whether the civilian government trundles on doing nothing very much, except compromising, or whether it can bring itself to be more ambitious. The daring plan would be to go for a new constitution.

It could come about like this. The Government gets through the next few months without undue difficulty because the necessary compromises have been made. There may also be some temporary alleviation of Argentina's debt problems at the meeting of the Club of Paris later this month. Congressional elections are due in September.

The Government then officially releases its bombshell. New elections will be called within six months, not for an ordinary congress but for a special constituent assembly to run for a maximum of one year in which the new constitution would be drafted.

The model would be that of the French Fifth Republic, as it has developed under the cohabitation between President Mitterrand and Prime Minister Chirac rather than under the early years of President de Gaulle when the presidency seemed all-powerful.

Such a constitution would create the office of Prime Minister and also the practice of parliamentary democracy. The President would be in the background, more a head of state than a head of government, ready to mediate—or, in British terms, to advise, encourage and warn—when necessary.

In Argentina, that would be an almost revolutionary development. The present constitution, going back to 1853, is heavily modelled on the American in the sense that it regards the country as a federation of states. But it is also in the old Spanish tradition in that it gives far greater powers to the presidency than exist in the US.

Presidential power in Argentina has not worked, either under military or civilian governments. Thus the aim is to make the great leap forward towards the sort of constitutions under which most Western European countries are governed.

It is a dream that may not be realised, partly because it is uncertain how many Argentinians want to undertake fundamental change. The belief in the idea of strong leadership runs deep, even if in practice leaders have often turned out to be weak, vacillating and incompetent. It is even doubtful whether President Alfonsin will reach the stage of the constituent assembly being elected, let alone approving a new constitution.

One of the main problems is how to persuade the armed forces gradually to relinquish their power and influence in the country. The most that the key reforming ministers will say is that the military is under control. The problem is far from being resolved.

A difficulty of which the reformers surrounding President Alfonsin may be less aware is that his Government will be in danger of losing civilian confidence if it compromises much further. It is all very well harbouring in private the idea of a modern democratic Argentina, but some time it will be necessary to go public—and with deeds rather than words. At present, President Alfonsin has forfeited some of the earlier respect he had from the civilised right and left.

The challenge is how to create a civil society, overdependent on neither the military nor the Church. There could then be a stable state, capable of resolving the country's by no means impossible economic and social problems. The carousel of change between military and civilian governments would be over.

Some of the auguries are favourable. The traditional rivalry between Argentina and Brazil is much less than it used to be. The two governments realise that their countries are going to have to sink or swim together. They have become alert to the danger of the Latin American equivalent of Eurosclerosis and do not like the prospect. The cliche may be true: this is Argentina's last chance to rejoin the First World.

Narrow nationalism is out; so, by and large, is anti-Americanism. Above all, there is the insistence that democracy and economic development go hand in hand. The difficulty, the reformers admit, is in persuading Argentine society as a whole that a break with the past is possible.

If one ends on a note of scepticism, it is because they seem much better at explaining all this to a visiting journalist than to their own people. There may be something in the remark by an Argentine citizen that President Alfonsin is the creation of the western media and that nothing essential has changed. The next few months should tell.

# Letters to the Editor

## Japan-EC trade

*From the Honorary Secretary, Economic Research Council.*

Sir,—The call for a "firmer, more robust trading stance vis-a-vis Japan" (which one takes to mean yet more protectionist restrictions against Japanese goods by Britain and other European countries) made by Anthony Teasdale (May 13) is based on reasonable if selective facts but surely represents a fallacious conclusion.

Mr Teasdale correctly points out that Japanese exporters are keen to sell in European markets because European currencies have depreciated less against the yen than has the US dollar. He further suggests that Japanese capital flows have contributed — and will continue to contribute—to this by tending to push up European exchange rates.

May I suggest that, rather than inflict damaging protectionist policies, the better solution for all, would be for European countries—especially Germany—to respond, as Japan has already done, to US calls for lower interest rates. This would reduce the attraction of European capital markets for Japanese savings, allowing European exchange rates to fall further against the Yen (and indeed against the US dollar) and thus allow market forces to operate normally towards a more equal trade balance with Japan.

Given time, there is no doubt that the Japanese are now keen to import more from Britain, but the recent strength of sterling can only harm this activity.

The answer lies not in the big protectionist stick which Brussels is so keen to wield, but in monetary and fiscal stances taken in London and Bonn.

James Bourlet,
*1 Old Burlington Street, W1.*

## Employment and jobs

*From Mr F. Benton*

Sir,—I must be among many readers in having spent much of my early school days confronting the problems of baths which filled at one rate and emptied at another. How much time we might all have saved if the Young Solution (May 15) had been available to us and we could have resolved matters by declaring irrelevant whichever element of the equation we found most inconvenient.

Lord Young is clearly uncomfortable that Messrs Layard and Brittan obstinately persist in requiring the effectiveness of solutions to be determined against the problem which they are, or ought to be, designed to solve. It is at best disingenuous and at worst shameful for Lord Young to evade the real issue while pleading so ardent a desire to resolve it.

Of course the rate of increase in the working population is not in the short term determined by the rate of increase in job numbers; but then the number of people contracting a *disease is similarly* unresponsive to the immediate prospects of cure. Would Lord Young or anybody else on these grounds suggest that medical research priorities be not affected by the numbers actually ill?

F. J. Benton,
*12 Beech Grove, Harrogate, Yorks.*

## Municipal debt solution

*From C. Meakin*

Sir,—There is a solution to the municipal debt dilemma posed by Councillor Peter Prince from Hammersmith (May 15). He eloquently expresses the worry of many Conservative oppositions that, as and when they assume power, their entire efforts will be consumed by the need to pay off the deliberate mountain of debts they have inherited.

The trick, broadly speaking, is to do to such local authorities what Henry VIII did to the monasteries—and for surprisingly similar reasons. In both cases it is necessary to break a mesmeric hold over the local populace which has been stealthily combined with creeping monopoly of economic power.

If Henry VIII showed the way, Margaret Thatcher has developed the methodology through large-scale privatisation: after 1990 the skill will be to adept the techniques evolved for nationalised industries to the smaller scale of municipal assets.

Local authorities, of the sort which rightly appal Councillor Prince, own too much land and property (as did the monasteries); *through misuse of* planning controls and the rating system, they dictate how those under their thrall are housed and earn their living (as, by equivalent means, did the monasteries); and they have too much say in the education and recreation of their subjects, wrapping it all up in mysterious doctrine (as did the monasteries).

It will not be easy—but then it is less than 10 years since conventional wisdom decreed denationalisation was "politically impossible." The good news for Councillor Prince however is that many of the assets sold to pay off municipal debt will rise in value as they are freed from the incubus of municipalisation—as has already been seen in London's Docklands.

Christopher Meakin,
*59, Court Lane SE21.*

## Regional cost variations

*From the Chairman, Reward Regional Surveys*

Sir,—Diversity in regional pay rates is inevitable when cost of living differences expand beyond a certain point which we would put at 15 per cent.

The differential may be reflected as a higher salary, a higher point on a salary scale, or a regional allowance or premium, but employers who wish to recruit or retain staff with currently useful skills will have to pay it.

The tables comparing changes in housing related costs on the one hand and all other costs on the other show how much of the current imbalance is housing or site value related, and why regional pay is an issue that will not go away:

Examples of Regional Costs Variations from National Averages

| Housing | 1977 % | 1987 % |
|---|---|---|
| Scotland | +10 | − 6 |
| N. West | − 7 | −22 |
| Yorks | −17 | −24 |
| Wales | − 6 | −18 |
| W. Midlands | − 7 | −23 |
| S. East | +21 | +48 |
| **All Other Costs** | | |
| Scotland | + 1 | + 2 |
| N. West | + 2 | — |
| Yorks | − 1 | − 3 |
| Wales | − 1 | − 3 |
| W Midlands | − 1 | − 1 |
| S. East | + 1 | + 2 |

The largest increase over 10 years in non-housing regional variations is from 3 per cent to 5 per cent, but housing differentials across all types of property have over this same decade increased from 38 per cent to 72 per cent.

Peter M. Brown,
*1 Mill Street, Stone, Staffs.*

## Fixing a rate

*From Mr L. Jackson*

Sir,—Mr Roy A. Grantham's remarks (May 11) on competitive exchange rates suggest that, unlike the rest of us, he has not thrown his text books away.

The point is that the exchange rate for sterling is the price tag put on our currency by foreign holders. It is the market which decides and the market is saying that Maggie Thatcher is good for Britain.

It is very difficult for finance ministers and governments to do much more than indicate target ranges. This is done, with limited effect, by intervention and, in normal circumstances, substantially through the interest rate mechanism. Even so, chosen targets have to be credible to the markets.

Large institutional flows tend to swamp trade flows and our economic prospects and sterling are so well regarded at the present time that the UK is likely to be embarrassed by inflows, as happened in the 1970s. (In this context the Labour party's proposal to penalise investment abroad would not be helpful, unless sterling plunged on the arrival of Mr Kinnock in Downing Street.) Indeed, you report (May 15) that the Bank of England appears to consider that sterling is at its highest acceptable level and that the Bank would welcome a modest weakening of the pound—through intervention rather than interest rate cuts.

Leonard A. Jackson,
*Stable Cottage, Speldhurst Road, Langton Green, Kent.*

## Joining the EMS

*From N. MacKinnon*

Sir,—Among the arguments that Messrs Spencer and Keating (May 16) use to advocate membership of the EMS is the beneficial impact on industry of the consequent reduction in exchange rate volatility that they think would ensue.

Joining the EMS may well reduce exchange rate volatility between EMS currencies but it cannot prevent volatility against non-EMS currency as recent experience with the dollar indicates. Given that the US is one of our key export markets it is difficult to see how EMS membership would be of much help in this respect.

A much more fundamental point needs to be made however. By joining the EMS the UK effectively loses control of monetary and exchange rate policy and hands it over to the Bundesbank. The divergent performance of the UK from West Germany in terms of economic growth, inflation, and external balance would put downward pressure on sterling within the EMS system and compel the UK authorities to raise interest rates.

Under the EMS regime, therefore, the UK authorities would find themselves in the position of losing control over interest rates at the cost of exchange rate "stability." As far as industrialists are concerned greater interest rate volatility (and its impact on output, employment and corporate borrowing) might not be worth the price of EMS membership.

Neil MacKinnon,
*Nomura Research Institute, 24, Monument Street, EC3.*

FINANCIAL TIMES

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US ECONOMISTS GROW CAUTIOUS ABOUT THE FUTURE

# Return of the inflationary ghost

BY LIONEL BARBER IN WASHINGTON

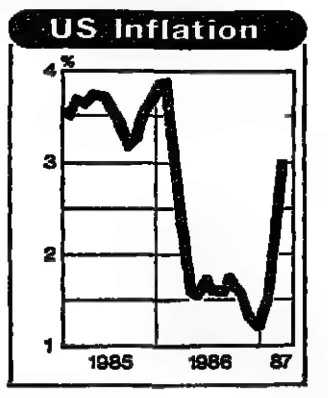
THE OPTIMISTS who thought that the combination of low energy prices, Mr Paul Volcker and a strong dollar had conquered inflation in the US have recently paused for thought.

Oil prices have rebounded, the dollar's decline against the yen and the D-Mark has continued through the first five months of this year, and Mr Volcker's room for manoeuvre as chairman of the US Federal Reserve is constrained within a less accommodative majority on the Fed's board of governors (although he may yet still win a third term as chairman).

The ghosts of past inflation have come to haunt the present. How far these fears match reality, how far they foreshadow the beginnings of an inflationary psychology in the US, and what the economic policy implications are is very much under debate in the Fed, the US Treasury and on Wall Street.

The meeting of the Federal Reserve Open Market Committee – the forum of Fed governors and regional heads which every six weeks votes on how to handle monetary policy – would have to have set some important policy pointers. Before yesterday's meeting, economists were forecasting that the Fed would resist a rise in the discount rate to halt the fall in the dollar, but that it would maintain its grip on credit, a tighter policy first acknowledged publicly by Mr Volcker in congressional testimony earlier this month.

This flexible Fed approach is political savvy: higher interest rates and tight money could choke the US economic recovery, now in its fifth year, and no one wants to be accused by red-blood Republicans of sabotaging the party's chances in the presidential election next year. But flexibility also reflects the uncertainty and disagreement in the US about the inflation threat over the next 12 months.




Mr Jason Benderly, co-director of economics at Goldman Sachs, the New York investment bank, characterises events in the US financial market – such as the 10 per cent fall in US bond prices since March, the worst beating the market has taken in three years – as "the removal of unreasonable expectations."

By this account, investors and their financial advisers believed their own fanciful rhetoric about an age of near static inflation brought about by the fall in oil and commodity prices. This atmosphere was, if anything, heightened by the way the declining dollar last year appeared to have no impact on inflation.

As Mr Benderly says, "the markets are coming back to reality." Last month, the producer price index rose by 0.7 per cent, the biggest rise since October 1985. The unexpected rise meant that wholesale price inflation for the first four months of the year rose at an annual rate of 5.1 per cent compared with a 2.3 per cent decline for 1986.

The producer price figures reveal some significant pockets of inflation: the rise in energy prices has pushed petrol up almost 10 per cent to 96 cents a gallon this year; the labour market looks tight, with some states, particularly in New Hampshire and Massachusetts, bidding up wages to attract skilled labour; and above all, the weaker dollar is increasing the costs of imported goods.

Mr Allen Sinai, chief economist at Shearson Lehman, the New York investment bank, said that the way Americans were spending more for housing, cars, manufactured goods and petrol had created a fundamental change in price expectations. In a recent interview, he said: "The markets cannot ignore the fact that a major culprit is the rising cost of imported goods."

A longer-term inflationary pressure, namely the strong demand for services in the US economy, is open to different interpretation. The economics team at Morgan Stanley, the New York investment bank, said recently that service sector pay rises in the 1980 were part of a catch-up phenomenon in response to the erosion in real wages of service workers between 1977 and 1981. But others argue that the trend of 5.5 per cent wage inflation in this sector over the past four years will not slacken, providing a further inflationary ingredient to an already fizzy cocktail.

Add the $70 rise in the price of gold since the start of the year, to around $470, and the marking-up of commodity futures, and you start to get a pretty gloomy picture. But most economists are not ready to play Cassandra just yet.

This week, the National Association of Business Economists predicted that consumer prices would climb 4.3 per cent this year. This is more pessimistic than three months ago, when they forecast 3.8 per cent for this year, but it does not make them double-digit doomsters.

The reason is that the single most obvious cause of domestic price inflation – the inability of supply to meet demand – is absent in the US economy, at least in the manufacturing sector. On Monday, for example, America's mines, factories and utilities were reported to be operating at 78.9 per cent of capacity, the lowest rate for three years. Equally, there are plenty of raw materials for manufacturing, and you only need to visit Iowa and Kansas to see that the US is not short of farm commodity surpluses.

Until these fundamental factors shift to the disadvantage of the US economy, inflation is unlikely to spin out of control. But it is still expected to rise further this year, perhaps even as high as 5 per cent – above the level at which President Richard Nixon imposed wage and price restraint some 16 years ago.

**US housing starts fell 2.9 per cent in April to a seasonally adjusted annual rate of 1.7m units, the Commerce Department said.**

**In March, housing starts fell a revised 4.8 per cent to 1.75m units. The department previously said they had fallen 3.2 per cent. The rate at which permits were issued for future construction fell 7 per cent in April to a seasonally adjusted 1.6m units after rising 2.6 per cent to 1.72m units in March.**

**The permits total was the lowest for any month since October 1984, when 1.49m permits were issued.**

# Kobe Steel wins $600m Soviet deal

BY PATRICK COCKBURN IN MOSCOW AND TONY JACKSON IN LONDON

A JAPANESE consortium has beaten British and West German rivals for a contract to build a $600m polyester plant in the Soviet Union, according to the Soviet newsagency Tass.

The contract, completed yesterday, is one of the largest signed by the Soviet Union in recent years. When finished in 1992, the plant, at Blagoveshchensk in the Urals, will increase Soviet polyester production by 40 per cent.

The winning consortium, consisting of Nischo Iwai, Kobe Steel, Mitsui and Co and Mitsui Engineering and Shipbuilding, beat off competition from Davy McKee of the UK and Uhde of West Germany.

Neither Davy McKee nor Uhde had been officially informed of the verdict yesterday, but neither expressed surprise, saying the outcome had primarily depended on price.

Mr Robert Akroyd, managing director of Davy McKee, said: "We did all we could to get our price down, but we were still being told it was not competitive by a very big margin. We got good support from the British Government and our collaborators, but we could not reach the prices we were told about without being suicidal."

Mr Akroyd said the contract had been the subject of three years' work. "We spent virtually all of March and April in Moscow at the highest level. It's a big disappointment to us."

Kobe Steel will be the general supplier for the project, which will be financed by the Export-Import Bank of Japan. The technology for polyester fibre production is under licence from Du Pont, the biggest US producer of polyester.

Davy McKee's bid was undertaken in conjunction with Imperial Chemical Industries, the leading fibre producer in the UK. Uhde proposed using technology taken from its parent Hoechst, the German chemical company.

Soviet production of synthetic fibres has lagged behind the rest of the world, but the Blagoveshchensk contract is on a smaller scale than the project originally under negotiation. This was the result of a shortage of foreign exchange caused by the drop in the price of oil.

# Japanese goods face higher EC tariffs

BY CARLA RAPOPORT IN TOKYO AND QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission is pushing for sharply increased tariffs on six popular Japanese electronics products, as part of a campaign to seek compensation from Japan for trade gains made since Spain and Portugal joined the European Community (EC) last year.

Compact disc players, digital audio tape recorders, video tape recorder components, amplifiers, electronic organs and microwave ovens have been singled out for action by Brussels as it seeks to step up the pressure for a fairer balance of trade.

A move to unbind the tariffs on the products, which is a necessary first step to eventual tariff increases, will be proposed to EC foreign ministers next week.

Leaders of the Japanese electronics industry are likely to protest strongly against the proposal, which, they say, singles out the industry for unfair punishment.

The EC estimates that Japan stands to gain an advantage worth some $1.2bn a year since Spain and Portugal joined the Community in January 1986 and began to lower their traditionally high industrial tariffs. Japan's exports to the two new member states increased some 30 per cent last year, the Commission says.

Electronics industry executives in Tokyo argue, however, that any compensatory tariff increases should be spread across a variety of sectors. If full compensation is sought on the six products alone, they fear it would double existing tariff levels.

The Commission's threat to increase EC tariffs follows a dusty Japanese response to an alternative suggestion of improving access for Spanish and Portuguese products to the Japanese market.

The Commission is proposing to open negotiations with Japan under Article 24.6 of the General Agreement on Tariffs and Trade (Gatt), which normally provides compensation for third countries adversely affected by the extension of a customs union to include new members. The present case would be the first in which the clause was used to compensate the customs union.

The plan is being discussed by top national trade officials this week.

# Bank Leu sells 40m Guinness shares

BY CLIVE WOLMAN IN LONDON

BANK LEU, the Zurich-based bank, yesterday sold 40m of the Guinness shares it acquired as a result of the £2.5bn ($4.2bn) Guinness takeover battle for Distillers of the UK last year in an apparent breach of the UK Companies Act.

The London-based stockbroking firm James Capel bought the entire tranche of shares at 350p each and then sold them to 163 institutional investors at 352p a share within about 10 minutes. It is thought to be the largest "bought deal" – under which a bank or securities firm buys a block of shares and undertakes to sell them on itself – in a single UK security.

James Capel's profit on the deal was about £800,000, or 0.6 per cent. Before last October's Big Bang deregulation reforms, a placing of £140m of shares would typically have cost between 3 and 5 per cent because of the discount to market price and stockbroking commissions.

Capel bid successfully for the stock from Bank Leu against competition from other securities firms at about 9am. Immediately a message was relayed via loudspeakers in the firm's dealing room to about 75 of its salesmen and 20 dealers, who were given a list of Guinness's institutional shareholders. They all started telephoning the institutional investment managers to ask for bids for the stock.

The institutions oversubscribed for the stock by a factor of about 10. None was allocated more than 1m shares, and existing shareholders were given priority by Capel, which is Guinness's stockbroker.

After the deal, the Guinness share price rose to close the day at 361p, up 11p. This is the first time the shares have risen above the artificially high price they were boosted to during the Distillers takeover battle last year.

In the later stages of the battle, Bank Leu bought 14m shares in Guinness on the strength of a commitment made by two Guinness directors to indemnify it against any losses.

Bank Leu acquired a further 18m Guinness shares after the bid succeeded as a result of its purchase of shares in Distillers, which were made in concert with Guinness directors and in breach of the UK takeover code.

A further 24m Guinness shares were acquired shortly afterwards, again on the strength of an illicit indemnity, from other Guinness supporters who had been persuaded to buy shares on an apparently illegal basis during the takeover battle.

## World Weather

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 19 | 66 |
| Algiers | S | 25 | 77 |
| Amsterdam | S | 14 | 57 |
| Athens | S | 24 | 75 |
| Bahrain | S | 36 | 97 |
| Bangkok | S | 36 | 97 |
| Barcelona | R | 12 | 54 |
| Beirut | — | — | — |
| Belfast | C | 11 | 52 |
| Belgrade | T | 22 | 72 |
| Berlin | S | 18 | 64 |
| Biarritz | R | 13 | 55 |
| Bombay | S | 33 | 91 |
| Bordeaux | R | 12 | 54 |
| Brussels | F | 14 | 57 |
| Budapest | S | 21 | 70 |
| B. Aires | C | 17 | 63 |
| Cairo | S | 36 | 97 |
| Cape Town | S | 19 | 66 |
| Caracas | — | — | — |
| Casablanca | S | 21 | 70 |
| Chicago | C | 27 | 81 |
| Cologne | F | 18 | 64 |
| Copenhagen | C | 11 | 52 |
| Corfu | S | 24 | 75 |
| Dallas | — | — | — |
| Dublin | C | 15 | 59 |
| Dubrovnik | S | 20 | 68 |
| Edinburgh | C | 11 | 52 |
| Faro | S | 21 | 70 |
| Florence | C | 16 | 61 |
| Frankfurt | F | 18 | 64 |
| Funchal | S | 20 | 68 |
| Geneva | C | 12 | 54 |
| Gibraltar | S | 22 | 72 |
| Glasgow | C | 15 | 59 |
| Guernsey | F | 11 | 52 |
| Helsinki | S | 14 | 57 |
| H. Kong | S | 26 | 79 |
| Innsbruck | F | 18 | 64 |
| Inverness | C | 11 | 52 |
| Islamabad | C | 35 | 95 |
| Istanbul | S | 24 | 75 |
| Jakarta | B | 33 | 91 |
| Jersey | C | 12 | 54 |
| Jo'burg | S | 24 | 75 |
| Lima | C | 22 | 72 |
| Lisbon | S | 22 | 72 |
| London | C | 15 | 59 |
| Los Angeles | C | 24 | 75 |
| Luxembourg | C | 10 | 50 |
| Madrid | F | 20 | 68 |
| Majorca | S | 22 | 72 |
| Malaga | S | 23 | 73 |
| Malta | S | 21 | 70 |
| Manchester | C | 11 | 52 |
| Manila | S | 37 | 99 |
| Melbourne | C | 13 | 55 |
| Mexico City | — | — | — |
| Miami | C | 27 | 81 |
| Milan | C | 16 | 61 |
| Montreal | C | 14 | 57 |
| Moscow | S | 18 | 64 |
| Munich | F | 17 | 63 |
| Nairobi | C | 24 | 75 |
| Naples | F | 21 | 70 |
| Nassau | C | 30 | 86 |
| New Delhi | S | 38 | 100 |
| New York | C | 27 | 81 |
| Nice | S | 18 | 64 |
| Nicosia | S | 30 | 86 |
| Oporto | S | 17 | 63 |
| Oslo | C | 11 | 52 |
| Paris | C | 13 | 55 |
| Peking | — | — | — |
| Prague | S | 17 | 63 |
| Reykjavik | D | 8 | 46 |
| Rhodes | S | 22 | 72 |
| Rio de J'o | — | — | — |
| Rome | C | 25 | 77 |
| Salzburg | F | 19 | 66 |
| San Francisco | C | 16 | 61 |
| Seoul | F | 19 | 66 |
| Singapore | T | 29 | 84 |
| Stockholm | F | 14 | 57 |
| Strasbourg | R | 12 | 54 |
| Sydney | S | 17 | 63 |
| Taipei | R | 27 | 81 |
| Tangier | — | — | — |
| Tel Aviv | S | 29 | 84 |
| Tenerife | F | 22 | 72 |
| Tokyo | C | 23 | 73 |
| Toronto | R | 15 | 59 |
| Tunis | S | 22 | 72 |
| Valencia | S | 21 | 70 |
| Venice | F | 20 | 68 |
| Vienna | F | 18 | 64 |
| Warsaw | C | 17 | 63 |
| Washington | — | — | — |
| Zurich | F | 10 | 50 |

*Readings at mid-day yesterday:*
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Citicorp $2.5bn loss

Continued from Page 1

and other measures, giving us increased flexibility to manage our sovereign risk portfolio and to respond to initiatives being undertaken by various countries to resolve their external debt difficulties. This will provide for around 25 per cent of our sovereign debt exposure."

Mr Reed stressed that the company would maintain its dividend and that the bank's primary capital ratio of 7.1 per cent of its assets was well in excess of normal US requirements.

He estimated that the bank, which earned $1bn in 1986, would report a loss of approximately $1bn in the current year.

In making its announcement, Citicorp stressed that its action did not reflect any change in its basic position over the sovereign debt issue, its full support of the US bank advisory committee process, or its attitude towards major debtor countries. It indicated that, on the contrary, it would continue to implement its commitment to re-establish access to the voluntary global credit markets by major debtor countries.

Mr Reed stressed that there were no nasty surprises ahead which might have explained this action, and that Citicorp was not responding to official pressure. "No one ordered us to do this," he said, adding that the move would "significantly strengthen the institution."

# Fiji coup leaders cede control to Governor

By Chris Sherwell in Suva

FIJI'S five-day-old military dictatorship ended in peaceful compromise last night with the Governor-General in full control of the South Pacific islands. He is to call a fresh general election.

Dr Timoci Bavadra, the deposed Prime Minister, and his 27 parliamentary colleagues, including his Cabinet, were released last night as the coup leaders ceded control to Ratu Sir Penaia Ganilau, the Governor-General. The Prime Minister had been held under house arrest since Thursday when Lt Col Sitiveni Rabuka and 10 soldiers stormed Parliament.

Apart from new elections, the compromise involves the appointment by the Governor-General of an interim council of advisers, to be announced today, and an urgent inquiry into Fiji's constitution.

The coup was the first against a democratically elected government in the South Pacific and sent shock waves throughout the region. Australia and New Zealand, already alarmed by the arrival of Soviet and Libyan influences among some of the region's scattered islands, demanded a return to democracy and said they would have nothing to do with the coup leaders.

Australia yesterday closed the Libyan People's Bureau in Canberra and gave all Libyan diplomats 10 days to leave the country. Mr Bob Hawke, the Australian Prime Minister, said the move was not directly connected to events in Fiji but a result of "the destabilising role of Libya in the South Pacific."

Ratu Ganilau, supported by Queen Elizabeth during several radio links to Buckingham Palace in London, and stiffened by the united opposition of the Fiji judiciary to the coup, persistently refused to accept the validity of Lt Col Rabuka's provisional council of ministers.

Sir Shridath Ramphal, Secretary-General of the Commonwealth Secretariat, said last night that there would be relief throughout the Commonwealth that Fiji appeared to be moving towards a return to constitutional government and legality. The role of the Governor-General had been "most admirable," he said.

However, the compromise formula for a return to constitutional rule appears to many like a victory for traditional conservative elements in Fiji's ethnic Melanesian community.

Ratu Ganilau has dissolved Parliament, where Dr Bavadra's party, backed by the majority Indian community, had been in power since last month. His new council of advisers will, as a priority, "inquire into the efficacy and general acceptance of the existing constitution and to suggest modifications."

This was a key objective of the coup leaders, who feared that the fact that the Indians outnumbered the ethnic Melanesians was undermining the position of the island's indiginous population.

The stability of the next days depends on whether the Governor-General's solution is endorsed at today's meeting of Fiji's Great Council of Chiefs in Suva and whether the council of advisers can command broad public support.

It is not clear whether Lt Col Rabuka will be on the council or will be confined to barracks. He was reported by Fiji Radio last night as saying death might be his destiny although the compromise seems likely to mean no treason charges will be brought.

Nor is it clear whether Dr Bavadra, who said he had not been asked to be a member of the council, will accept the compromise.

# Tories pledge more tax cuts

Continued from Page 1

The manifesto takes a noticeably low key line on the contentious issue of defence and civil nuclear power.

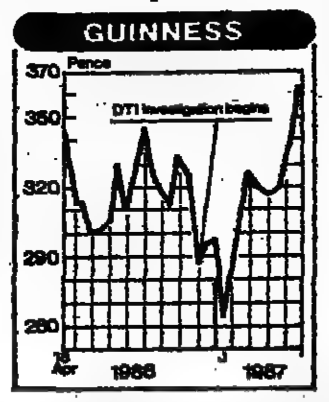
The party promises to decommission Polaris, cancel Trident and use the money saved to pay for improvements in Britain's conventional forces. Previously, there were suggestions that only some of the savings would be used for other defence purposes.

Supporting the current superpower arms process, Labour says that "if; however, it should fail we shall, after consultation, inform the Americans that we wish them to remove their cruise missiles and other nuclear weapons from Britain."

## THE LEX COLUMN

# Who needs an indemnity?

Perhaps the market has become so short of stock all round that, even for Guinness, the idea of an overhang is a thing of the past. At any rate, the 40m stock units sold yesterday by Bank Leu were placed in less time than it sometimes takes to sink a ruminative pint of stout, and the price has moved above the 353p to which it was ramped during the Distillers bid. James Capel, which bought the deal for a 2p turn, could apparently have done the same thing 10 times over.




### Allied-Lyons

If the real measure of corporate success is earnings per share growth, Allied-Lyons' compound rate of increase at 20 per cent a year over the last five ought to be nearly all the stockmarket could desire. Yet the shares, up 1p at 431p after yesterday's results, showing pre-tax profits up 26.5 per cent to £340.9m, still only buy 12¼ years' historic earnings, far below the market average. The simple explanation is that the market does not really accept the historic growth rate or expect it to continue.

Profits have been buoyed by property profits, in part generated by the reorganisation programme in the brewing division, while the costs of rationalising the beer and food operations have been counted extraordinary although others have now moved this sort of thing above the line.

The gains made in trading profits, it is argued, have broadly been from cost savings rather than real growth. That view is a trifle unfair. Improved efficiency is to be applauded.

Allied has made great efforts to bolster its brands and, in food particularly, go for higher added-value products. But now that the catching up has largely been completed, and the property profits are set to dwindle, is Allied capable of expanding in mature markets? Hiram Walker will this year add a few million to earnings, which is better than watering them down, but altogether Allied's multiple may only fall by a single point.

### Cinema/Cadbury

General Cinema's use of its 8.3 per cent stake in Cadbury Schweppes to restructure the debt it acquired buying the stake left the market rather perplexed. First reaction to the debenture (convertible into Cadbury shares) pushed the Cadbury price down as all bids appeared to be off, but when Cinema's right to deliver the cash equivalent of the shares sank in, the price popped up again.

Since, nevertheless, the shares are to be held in escrow, the real logic of Cinema's complex hedge remains elusive. Trading some of the premium on the stake for cheaper debt is understandable, and using other people's shares for a convertible offer is something Cinema has pulled off before. But for a company without much of a track record as a long-term stake holder, Cinema does seem to be severely narrowing its options; it can no longer pass on the whole stake to another predator without redeeming the whole issue, something it cannot do until 1992 unless the Cadbury price passes 390p. Does Cinema know something nobody else does?

Some suspicious minds suggest that by denying itself any upside over 300p Cinema is hoping to depress the price for a while to pick up some more stock, and if the price does then shoot up (with the help of a bid), the company could increase its borrowing on the back of its appreciating asset. More probably, Cinema has thought of a clever way of easing out of Cadbury without hitting the price too hard.

### J. Sainsbury

To be the industry leader, as Sainsbury is in UK food retailing, brings its own rewards. Over the year to mid-March pre-tax profit increased 28 per cent to £247m, and Sainsbury's net margin reached an extraordinary 6.2 per cent. But except in the brief and recent period when the City of London dreamt of applying a Tesco rate of improvement to Sainsbury's level of achievement, the shares have been extremely dull; and the fact is that progress in the second half has proved far less dramatic than in the first.

Now that Sainsbury is itself emitting cautionary signals about further margin gains – generally expected to follow from a richer mix of product, greater efficiency at the checkout, and bigger stores – overall growth is going to be even more dependent on the rate of physical expansion. Here Sainsbury has more to offer since it is able to step up its store opening programme by about a third to 20 units a year and lift the average size of new stores closer towards the optimal 30,000 feet, without gearing up. But yesterday's closing 534p represents over 20 times likely 1988 earnings; the premium for quality virtually excludes the possibility of a strong relative performance.

### British Airways

Here is a quiz for British Airways' 450,000 remaining shareholders: why are pre-tax profits, at £162m, 12 per cent higher than promised in the prospectus, but earnings per share only 3 per cent up on the offer for sale forecast? The answer is the equally unexpected appearance of £11m of deferred taxes. Smoothing is a wonderful thing, and particularly so for a company such as BA, with an operational gearing almost without parallel on the London Stock Exchange. Leave aside the critical mass of load factors, or the volatilities involved in dealing with 150 currencies: if oil prices had not collapsed, BA's extra fuel costs would have exceeded the profits stated yesterday.

One cost which does appear to have risen remarkably is people. Staff costs per head have increased by 12 per cent. While BA's overhead cutting of the past few years is now part of British corporate legend, it has meant that the kind of sudden unexpected surge in traffic which occurred in the tail end of the fiscal year requires the payment of plenty of expensive overtime.

On the most effusive forecasts, the shares, down 2p at 162p, are on a multiple of about 8.5 times earnings. This may appear like a pocket of value in a stratospheric market, but prolonged turbulence is anticipated by experienced passengers.

FINANCIAL TIMES
Wednesday May 20 1987





# Arab investors to sell stake in Smith Barney

BY RODERICK ORAM IN NEW YORK

A GROUP of Arab investors is seeking buyers for its 22 per cent stake in Smith Barney Inc., holding company for the medium-sized Wall Street securities firm Smith Barney, Harris & Upham which has a strong base in retail brokerage.

The 33 investors, most of whom are Saudis and Kuwaitis who bought their holding for $40m in 1982, have retained Bankers Trust to advise them. It is believed they are asking $160m, about twice the stake's estimated book value and higher than the average 1.65 ratio of other recent investment bank sales.

The purchaser would be the largest shareholder in the closely-held company. All the others are employees – mostly current and a few retired.

At March 31 Smith Barney Inc. had total capital of $413m, of which $351m was shareholders' equity. The firm, which is ranked roughly 17th on Wall Street in capital terms, is dwarfed by the industry leader Salomon Inc. with $3.7bn of capital and several other firms with around $3bn.

Four of the Arab investors are on Smith Barney Inc.'s 15-man board. Two of the more prominent are Sheikh Hamad Abdulazzi Al-Sagar of Kuwait whose companies included Coast Investment and Development Co., and Sheikh Omar Aggad, chairman of Aggad Investment Co. of Saudi Arabia.

The investors have given no reason yet for their decision to sell but it has been made against a background of low oil prices and stagnant economies in their home countries.

The market for investment bank shares is some months past its peak, however. Shares of publicly-quoted companies have suffered recently as investors weighed up the factors facing Wall Street firms.

These include the possibility that the five-year equity bull market does not have much longer to run, recent turmoil in bond markets which could have left some firms with trading losses, and intense competitive pressures on profit margins.

Other factors include large costs from rapid overseas expansion and the threat of damage suits in the wake of insider trading investigations.

# Cerus seeks to gain control of financial information group

BY PAUL BETTS IN PARIS

CERUS, the French holding company of Mr Carlo De Benedetti, is planning to acquire a 25 per cent to 35 per cent stake in, and management control of, Dafsa, the French financial information group, for between FFr 50m and FFr 70m ($8.37m and $11.72m).

The move is part of Cerus' and Mr De Benedetti's efforts to expand in the financial information services businesses. It also follows the acquisition by Cerus of a 4.9 per cent stake in Pearson group of the UK whose interests include the Financial Times.

Mr Alain Minc, the managing director of Cerus, said the group was keen to expand in the financial information sector and develop synergies with Olivetti, the Italian computer and office equipment group headed by Mr De Benedetti.

He said that Cerus wanted to back Dafsa in its efforts to extend its international and European activities. Mr Minc added that Cerus was also interested in examining possible co-operation opportunities in the financial information sector with Pearson. At the same time Dafsa would seek to expand in Europe by reaching agreements with other financial data service groups and eventually seek new acquisitions.

Although Dafsa reported a net loss of FFr 29.8m last year on sales of FFr 260.9m, after losing FFr 19m on sales of FFr 258.4m the year before, Cerus sees the company as offering turnaround opportunities.

Dafsa, which was one of the first companies to be introduced in 1983 on the "second market" of the Paris bourse, currently has a capitalisation of FFr 131m. It is now due to increase its capital by up to FFr 100m

After subscribing to a large part of the capital increase, Cerus is expected to end up owning between 25 per cent and 35 per cent of the company. The Dafsa operation will also be backed by a number of the French banks and financial institutions which are shareholders of the financial information group. These institutions include Indosuez, BNP, Compagnie Financiere de Suez, Credit Lyonnais, Lazard Freres, Societe Generale, UAP and Societe Lyonnaise de Banque.

Cerus will also have management control of Dafsa in much the same way as it has the management control of Valeo, the French car components group in which Mr De Benedetti acquired a 19.3 per cent stake last year.

# Bonn to cut share in Lufthansa by 5%

By Haig Simonian in Frankfurt

LUFTHANSA, the West German state-owned airline, is raising DM 300m ($169m) in new capital in a transaction which will lower the federal government's share to just over 75 per cent from 80 per cent today.

The company's supervisory board has authorised an increase in its basic capital to DM 1.2bn through the issue of new ordinary shares, which will be priced at DM 135. Lufthansa shares were trading at DM 175 on Monday.

The increase, which has to be rubber-stamped at Lufthansa's annual general meeting on July 8, reflects the rise in the company's volume of business and new investments in the pipeline, the airline said.

Rather than taking up its full entitlement, the government is converting an existing DM 312m loan into new equity, thereby slightly diluting its ownership.

Lufthansa has for some time been mentioned as a privatisation candidate by the country's centre-right coalition government, but the scheme has regularly been opposed by Mr Franz Josef Strauss, the minister president of Bavaria.

Lufthansa's supervisory board has also approved a DM 330m increase in its authorised capital, to be issued in the form of preference shares at any time in the next five years.

Some DM 30m of this second capital increase will comprise special shares for Lufthansa employees.

However, the state will retain more than 50 per cent ownership even if it were not to take up its entitlement in a second capital increase, the airline said.

SILICON VALLEY BATTLE OVER INTEL MICROPROCESSOR

# AMD files suit for $1bn

BY LOUISE KEHOE IN SAN FRANCISCO

ADVANCED Micro Devices, the Silicon Valley semiconductor manufacturer has filed a $1bn claim against neighbouring Intel, one of the largest US chipmakers, in a dispute over licensing of Intel's latest microprocessor.

According to a Securities and Exchange Commission report filed by Intel late last week, AMD is seeking either $1bn in damages, or $100m in damages plus rights to manufacture Intel's latest microprocessor in a dispute that went to a court-appointed arbitrator last week. Both companies have refused to discuss details of the arbitration.

The dispute centres upon Intel's alleged refusal to license AMD to manufacture the 386 microprocessor that forms the "brains" of an emerging new generation of personal computers, including the most powerful model of IBM's recently-announced personal system/2.

Under the terms of a broad 10-year technology exchange pact signed in 1982, Intel and AMD agreed to swap products. The agreement has made AMD a major second source for Intel's microprocessors and related chips.

Intel has, however, reneged on the agreement by refusing to give AMD rights to make its new 386 micro, AMD claims. Intel has reportedly been dissatisfied with the products that AMD has offered in exchange for the new microprocessor, which cost Intel over $100m to develop.

Last month, Intel served notice of its intent to cancel the agreement with AMD in 12 months. The dispute reflects an industry-wide re-evaluation of the need for "second sourcing" for microprocessors and other complex chips.

Although it has been standard practice in the past to license other manufacturers to produce such chips, major US chip designers including Intel, Motorola and National Semiconductor are now reluctant to enable competitors to benefit from their substantial investments in developing 32-bit microprocessors.

This could prevent chip makers in Europe, the US and Japan that have been second sources from participating in the next generation microprocessor market.

● Separately, AMD said it had signed a definitive agreement for its previously announced acquisition of Monolithic Memories in an exchange of 0.875 AMD shares for each Monolithic share. The company said the agreement, which has been approved by both boards, still must be approved by shareholders of both companies.

# US retailers register strong gains in first quarter

BY WILLIAM HALL IN NEW YORK

J. C. PENNEY, the third biggest US retailer, which recently announced that it was moving headquarters from New York to Dallas, yesterday reported its fifth consecutive quarter of record earnings, increasing first quarter pre-tax profits 42.3 per cent to $218m.

It was the biggest of several US retailing groups to post stronger earnings yesterday. May Department Stores, which acquired Associated Dry Goods last year, increased first-quarter earnings 39 per cent to $84m, or 41 cents a share.

Federated Department Stores, which owns Bloomingdale's and several other store chains, increased its first-quarter earnings 5.9 per cent to $50.1m, or 54 cents a share.

Carter Hawley Hale, the Los Angeles-based group, increased first-quarter earnings 23 per cent to $17.9m, or 50 cents a share, and Home Depot, the fast growing do-it-yourself building supply store group, increased its earnings by 149 per cent to $12.8m, or 43 cents a share on a 50 per cent increase in sales to $334m.

The main exception to the buoyant earnings trend was Dayton Hudson, the Mid-Western store chain, which reported a 5.9 per cent drop in first quarter earnings from operations to $38.1m, or 39 cents a share. The group said that improvements at its Target and Lechmere stores was offset by lower operating profits at its Mervyn's apparel stores.

At Penney, Mr William Howell, chairman, said that both stores and catalogue operations produced outstanding results. Gross margins improved significantly due to changes in merchandise mix, which resulted in substantially lower markdowns and reduced levels of inventory.

The group increased its earnings per share by 55.8 per cent to 90 cents after adjusting for a two-for-one stock split on May 1.

Mr Howard Goldfeder, Federated's chairman, reported a 8.1 per cent rise in sales to $2.46bn and said that the sales and profits performance was especially encouraging at the group's upscale department store divisions.

# Hewlett Packard advances by 28%

By Our Financial Staff

HEWLETT-PACKARD, the US computer and electronic equipment manufacturer, boosted second-quarter net earnings by 28 per cent from $127m or 49 cents a share to $162m or 63 cents, helped by strong sales of new products and a rebound in the computer industry.

Sales rose 13 per cent to $2.02bn. Orders increased 20.5 per cent to $2.08bn, bringing orders in the first half to $4.01bn, up 17 per cent.

Mr John Young, president and chief executive, said: "Since the US economy is experiencing only moderate growth, we are particularly pleased with the momentum of our US order levels. International orders are also maintaining a steady level of solid growth."

Computer peripheral and network products, as well as analytical, medical and component products, had recorded brisk order growth for the first half of the year.

The company also cited good market reception to a new disc drive, a new line of laser printers, the HP 3000 business computers and engineering work-stations.

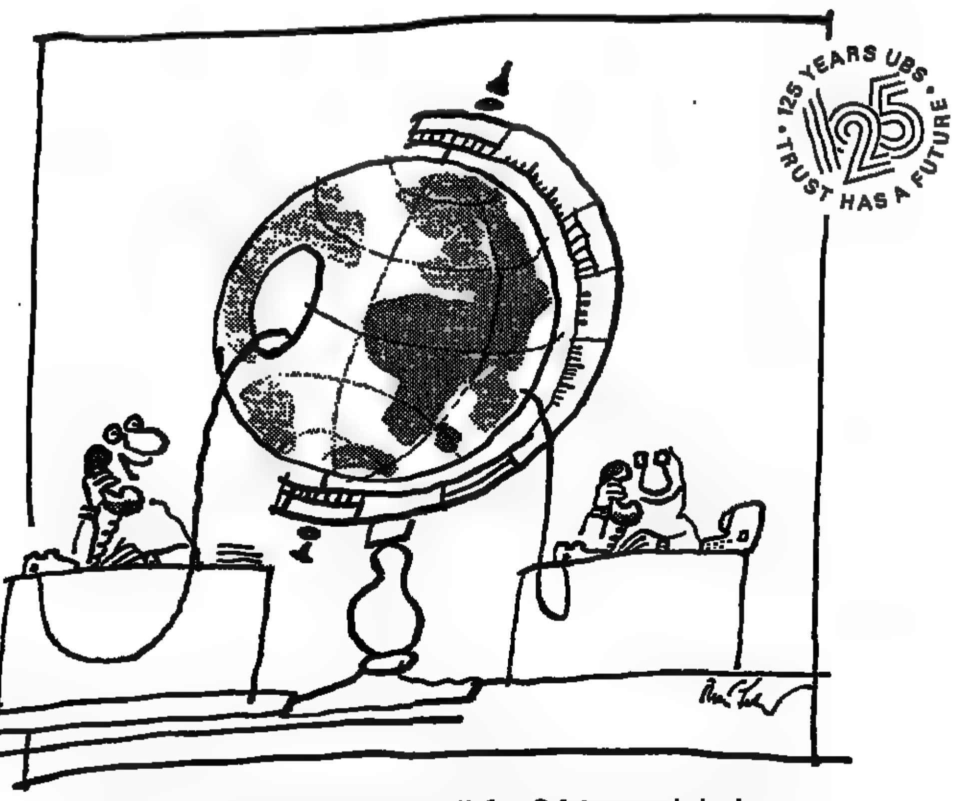
For the first six months, Hewlett-Packard reported net profits of $278m or $1.08 a share, against $236m or 92 cents a year earlier, on sales up from $3.4bn to $3.76bn.

# Karstadt set to lift dividend

KARSTADT, the West German store group, registered a sharp rise in profits last year and intends to raise its dividend from DM 7 a share to DM 8 ($3.90 to $4.50) writes Andrew Fisher in Frankfurt.

It said yesterday that net profits of the parent company went up from DM 50.4m to DM 82.6m, with turnover up by 4.6 per cent to DM 9.4bn. Group turnover was 3.4 per cent higher at DM 12.4bn.





# INTL. COMPANIES and FINANCE



# CDF Chimie reshaping to call on outside equity

BY GEORGE GRAHAM IN PARIS

CDF CHIMIE, the loss-making French chemicals company recently split off from the country's state-owned coal mines, plans to open up the capital of its more profitable subsidiaries to outside investors.

The French Government last month agreed to a FFr 3.1bn ($520m) capital injection, of which FFr 2bn will be paid this year, to enable CDF Chimie to carry out radical restructuring.

However, Mr Serge Tchuruk, the new chairman, has warned that this will be the last payment CDF Chimie can expect from the government, and that for further capital it must look to its own cash flow and to outside investors.

Mr Tchuruk said: "The amount given by the state was the amount that was strictly necessary, but it does not solve all our financial problems. We now have our backs to the wall because that money was a once and for all settling of accounts."

Interesting private investors in the group's subsidiaries, especially its profitable specialised chemicals business and the inks sector, where it claims 10 per cent of the European market, would be the first sign of success in CDF Chimie's restructuring.

The specialised chemicals division, which has already carried out much of the required restructuring, made profits of FFr 200m last year on turnover of FFr 6bn.

Mr Tchuruk stressed, however, that the holding company would retain control over the subsidiaries when opening their capital to outside investment.

The main French state-owned chemicals group, Rhône-Poulenc, has been agitating to be privatised outright. CDF Chimie, however, is not in a good enough financial state to be put on the market.

Mr Ichuruk came to CDF Chimie in November last year from Rhône-Poulenc, where he was managing director, and has brought with him a number of other Rhône-Poulenc alumni. They include Mr Jean Pierre Halbron, now managing director of CDF Chimie, who was finance director of Rhône-Poulenc.

CDF Chimie has carried out an organisational restructuring to group its operations into four main divisions—chemicals, fertilisers, paints and inks—under a holding company whose staff has been cut from 1,000 to 80.

The group as a whole lost FFr 2.6bn last year on sales of FFr 20.6bn, following exceptional charges of FFr 2.1bn. Operating losses, however, were reduced to FFr 500m from FFr 1.3bn in 1985.

Originally created to bring together the coal-based chemicals activities of Charbonnages de Frances, the state-owned mines, CDF Chimie was further weighed down with some remnants of Produits Chimiques Ugine-Kuhlmann. In 19 years it has accumulated FFr 12bn of losses.

Mr Tchuruk hopes to return to profitability in 1989, although this depends on making the restructuring plan work, on succeeding in developing CDF Chimie's strengths in areas such as acrylics and thermoplastics, and on a degree of luck.

The worst losses come from CDF Chimie's heavy chemicals and fertilisers division, including its AZF subsidiary. The group has decided to cut its phosphates work while modernising its nitrates plants.

The group has decided to close a plant at Chasse sur Rhône, and has already sold its plants at Balaruc les Bains and at L'Oseraie to Cedest, a subsidiary of Compagnie Generale d'Industrie et de Participations.

Heavy investments will be made this year in the fertiliser division, although two thirds of CDF Chimie's investment this year will go into the specialised chemicals branch.

Mr Tchuruk also hopes to remedy what he sees as another of the group's failings, an over-timid international strategy, through alliances or joint ventures.

"There are movements towards rationalising the industry in Europe. We want to be a partner, not a victim, in any restructuring," he said.

# Madrid sells ex-Rumasa sherry unit for Pta 3bn

By David White in Madrid

WILLIAMS AND HUMBERT, the sherry concern formerly belonging to the Rumasa conglomerate, is to be sold off by the Spanish Government to a Venezuelan-controlled bidder in a deal totalling Pta 3.43bn ($27.5m).

The last-minute bid headed by Mr Jose Alvarez Stelling, president of Venezuela's Banco Consolidado, has been recommended by the committee advising the government on reprivatising Rumasa interests.

The Venezuelan group has 65 per cent of a specially-formed company, Hispanoamericano del Sherry, along with Spanish partners including Larios, a gin producer.

The proposed deal includes a purchase price of Pta 2bn, with payment spread over three years, interest and a two-stage capital increase of Pta 1bn.

The proposed deal, which awaits Cabinet approval, virtually brings to an end the reprivatisation process for Rumasa's wide-ranging banking and industrial empire. The process began shortly after the socialist government seized the group's assets four years ago in order to avert what it claimed was an imminent financial disaster.

The Williams and Humbert group, headed by a UK-registered company, is the last substantial item still for sale. Its reprivatisation was held up by a long-running legal battle in London over ownership of the Dry Sack Sherry trademark, which Mr Jose Maria Ruiz-Mateos, Rumasa's founder, had transferred to a Jersey-registered company, leasing it back to the sherry producer.

The government opened the bidding for Williams and Humbert at the end of last year after winning the High Court action. It received some three dozen inquiries and at least 10 firm offers.

Until the surprise late bid, the main contenders still in the running were Neofidem Fiduciaire of Switzerland and a Spanish concern, Hispano Molgar de Exportaciones.

Mr Ruiz-Mateos took control of Williams and Humbert from family interests in 1971, consolidating his foothold in the sherry business, on which his empire was founded.

# Hertel issue to raise DM 166m

BY ANDREW FISHER IN FRANKFURT

HERTEL, the West German machine too company which is the next entrant to the country's stock market, will raise DM 166m ($93m) through its planned issue of preference shares.

The issue price has been fixed at DM 520 per share, more than expected. "It is a high price," said Mr Rauf Tuksavul, an analyst with Citibank in Frankfurt, "but it seems to be justified on the basis of their return on saes."

Hertel, which specialises in products made from extra hard materias, last year raised sales by 14.5 per cent to DM 248m (excluding DM 150m from stakes in other West German and foreign concerns) nearly double the leve five years before.

Pre-tax profits rose from DM 8.9m in 1985 to DM 16.3m, with earnings per share forecast to rise from last year's DM 20.5 to DM 28 in 1987.

This would mean a 1987 price/earnings ratio of 18.6, about the same as the ratings accorded to other leading West German machine tool companies such as Maho and Traub.

Control of the company remains with the brothers Karl and Guenther Hertel, who own all the voting shares and will have 60 per cent of the total capital after the 320,000 new preference shares are issued this week on the Frankfurt, Munich and Berlin bourses.

Hertel has said it intends to expand in the US, where it is negotiating a possible acquisition, and Asia. "They have practically no competition in their sector of the market," said Mr Tuksavul, "They seem now to be moving towards further expansion."

# Hapag-Lloyd proposes dividend increase

BY OUR FRANKFURT CORRESPONDENT

HAPAG-LLOYD, the West German shipping group which is now back in profit after going through a rough patch in the early 1980s, is proposing a dividend increase for 1986, although earnings showed a sharp decline.

It intends to pay all shareholders DM 5 per share compared with the DM 3 paid for 1985. West German banks, which then owned 80 per cent of the company, waived their 1985 dividend entitlement.

Since then, Hapag-Lloyd's ownership has undergone a considerable change, as other companies have bought into the shipping, air, and travel group.

Deutsche Bank and Dresdner Bank have reduced their stakes to about 22.5 per cent each. Last year, Veba, the West German energy group bought a 12.5 per cent holding, as did Gevaert of Belgium. Kaufhof, the West German store company took a 10 per cent interest this year.

Small shareholders own about 10 per cent, with Muenchener Rueckversicherung holding more than 20 per cent.

Hapag-Lloyd said group net profits last year totalled DM 53m ($30m), down from DM 95m in 1985. The parent company result was DM 24m (DM 76m).

It gave no reasons for the fall, but has previously indicated that earnings were held down by the weakness of the dollar and the poor state of shipping markets.

The group made a DM 150m loss in 1983 after heavy restructuring costs. It moved out of bulk and tanker shipping and sold its freight forwarding businesses. Now, the company is embarking on an extensive investment programme in container shipping and aircraft.

# Agip suffers 63% decline in earnings

By Our Milan Correspondent

AGIP, the Italian state oil company which is part of the ENI group, suffered a decline of more than 63 per cent in its consolidated net profit for 1986. The figure dropped from L1,089bn in 1985 to L400bn ($310m) last year.

The drop of more than 50 per cent in net profit reflected the troubled state of the world oil industry.

Agip said the price of petroleum in lire was down by 60 per cent from last year.

Agip's consolidated 1986 turnover dropped by 47.9 per cent to L9,878bn ($7.6bn).

# Alarm sounds over debt crisis

BY ALAN FRIEDMAN AND JOHN WYLES IN MILAN

FT CONFERENCE European banking

THE DEBT crisis in developing countries could soon enter another, more serious "political" phase which will require the greater attention of governments and not just financial institutions, according to two of the key speakers at yesterday's Financial Times conference on European banking.

Both Mr David Suratgar, a director of Morgan Grenfell, UK merchant bank, and Mr Armen Kouyoumdjian, resident economist at the International Mexican Bank, sounded the alarm at what Mr Suratgar termed "another critical phase" in the five-year-old debt crisis.

The Morgan Grenfell executive attacked the unwillingness of commercial banks to provide new money in the amounts needed by the large debtor countries and added that debtor nations such as Brazil, Argentina, the Philippines and Mexico had been unable meanwhile to maintain the desired progress in their own economic rehabilitation strategies.

He said the G-7 nations had not yet dealt with such matters as floating exchange rates, unrestricted capital flows and de-linkages between capital and industry.

"Politicians and bankers have created a world in which capital is flowing to all the wrong places and to finance many of the wrong things," Mr Suratgar said. The limited initial progress of the Baker plan, he said, had not resolved underlying problems.

Mr Kouyoumdjian, who is also chairman of the Association of Political Risk Analysts, gave an extremely pessimistic view of the state of debtor countries and warned of a worsening of the social and political state of affairs, especially among the populations of Latin America which have suffered increases in staple costs such as food and electricity of as much as 50-fold in the past few years.

He said the result of economic restructuring programmes was "a freezing of development in countries where development is a crying necessity."

A warning that international financial markets were under threat from a "counter-reformation" trying to impose inappropriate rules was given earlier by Mr Jack Hennessy, chairman and chief executive of Credit Suisse First Boston.

Opening the second day of the conference, Mr Hennessy said that "various authorities" were attempting to regulate the international markets for the first time. There was a possibility of intervention in the market itself, there was piecemeal liberalisation and different national authorities were adopting inconsistent regulations.

He attacked the British Securities and Investments Board proposal that all bond trades should be recorded, and warned that the market might move out of London "if the rules are wrong."

Mr John Goodwin, a director of Warburg Securities, saw a challenge to London's success as a financial centre coming from another direction—a turn in the markets which would subject Big Bang changes to a severe test.

A downturn could also reveal unpleasant weaknesses in US financial markets, according to Mr Winfried Spaeh. In recent years a number of new instruments had been developed whose risks were "poorly analysed and improperly understood."

Mr Anthony Harris, an assistant editor of the Financial Times, analysed the Japanese equity market and warned that a "correction" of as much as 65 per cent could follow the current "liquidity-driven" stock market boom.

Mr Teruyoshi Yasufuku, senior managing director of Sanwa Bank, predicted that the internationalisation of the yen and Tokyo markets "will progress speedily" in the next few years. He said yen-related business such as trade finance, Euroyen bonds and Euroyen lending would increase steadily and forecast that the yen's share of foreign reserves would increase to 15 per cent from its present 10 per cent in five years.

Looking at the future from the viewpoint of European Community institutions, Professor Alfred Steinherr, deputy manager for research at the European Investment Bank and Mr Massimo Russo, director general for economic affairs at the European Commission, both stressed the importance of the target of removing barriers to the free movement of capital by 1992.

# INTERNATIONAL COMPANIES and FINANCE



## Dai-Ichi, Citibank in ATM link-up

By Yoko Shibata in Tokyo

DAI-ICHI KANGYO BANK (DKB) of Japan and Citibank of the US have agreed a link-up of their automated teller machines.

Depositors at Citibank's Japanese branches will be allowed to draw money from machines at DKB's 360 branches in the country. This month the two banks are to begin work on linking on-line computer networks. The first tie-up agreement in this kind between Japanese and foreign banks is expected to take effect this autumn.

The banks have been preparing the project in consultation with the Ministry of Finance, which has been seeking ways to ease restrictions on financial transactions.

This is designed to forestall US Congressional moves to limit Japanese banks' activities in the US on the ground that their ATM networks are closed to US banks in Japan.

● The Tokyo Stock Exchange is to set up a committee to look into admitting new members in May 1988, president Michio Takeuchi said, Reuter reports from Tokyo.

The committee, consisting of about 20 exchange members, is expected to hold its first meeting early next month, he told a press conference.

## Canada's commercial TV in need of realignment

BY DEREK COOMBER IN TORONTO

POWER STRUGGLES and worries over falling revenues have increased pressure for a major realignment of Canada's commercial television stations.

From being silent spectators of the plight of the government-owned Canadian Broadcasting Corporation (CBC), where lay-offs and budget cuts have taken their toll in recent years, commercial television operators have recently found themselves under an equally unwelcome spotlight.

At the heart of their problems is the CTV Television network, a 25 year-old coast-to-coast co-operative, which unlike TV networks in other parts of the world, is jointly owned and controlled by its 16 affiliate stations.

CTV is CBC's main domestic competitor and Canada's only nationwide commercial network. Its owners include some of the world's most profitable broadcasting companies.

CTV's leading member, Baton Broadcasting of Toronto, threw the cat among the pigeons earlier this year when it won approval from the Canadian Radio-television and Telecommunications Commission (CRTC), a government regulatory agency, to set up a new TV station in Ottawa.

The new station would compete head-on against an existing CTV affiliate owned by Standard Broadcasting. The spectre of Baton starting a new station to compete against one of its CTV partners has deeply angered its partners, who fear that Baton is intent on either buying them out, crippling the network to strengthen its own interests, or leaving the partnership.

CTV's future is further clouded by financial problems. Faced with falling advertising revenues, the network expects to lose C$10m this year, compared with income of C$135m in 1986. Several veteran members of the network's news team have recently been laid off.

To add to the owners' discomfort, the CRTC stipulated earlier this year that the network must increase its spending on Canadian-made programmes by C$403m, equal to a 75 per cent rise, by 1991.

The regulatory agency's demand for more local programming comes on the heels of recommendations by a task force on broadcasting which concluded last year that the CRTC has failed in the past to interpret its mandate with "sufficient vigour."

The report urged that "private television stations and networks must be required to commit greater resources to Canadian programming."

Baton, which is 52 per cent owned by the well-known Eaton department store family, already owns three CTV affiliates. The company is known to be unhappy with the management of CTV. It pays 24 per cent of CTV's bills, and is entitled to 24 per cent of its revenues, but has only one vote – the same as the network's other members.

With strong resources of its own (including production studios), Baton appears to have the choice of either leaving CTV or trying to take it over.

Mr Douglas Bassett, Baton's chief executive, has given no hint of the company's plans, except to say that anything is possible in the current fluid situation facing commercial stations.

Whatever Baton does is likely to meet stiff opposition. Two other CTV members have filed appeals to the federal cabinet against the CRTC decision to give Baton a licence in Ottawa. A third is expected to follow suit.

Mr Alan Slaight, who bought Standard Broadcasting from the well known Canadian publisher Mr Conrad Black last year, predicts that Baton will remain in the CTV partnership. "If anyone wanted to leave (CTV), they wouldn't be allowed to unless the CRTC had called them to a public hearing to give reasons," Mr Slaight says.

The commission would probably need to be convinced that others were willing to fill Baton's shoes and that the network would not be significantly weakened.

The ability of CTV to raise its domestic content would be a key element in its deliberations. Only about 26 per cent of all English-language television broadcasts in Canada are of domestic origin.

CN Tower with TV mast overlooking Toronto

## Australian ICI doubles profits at six months

By Bruce Jacques in Sydney

ICI AUSTRALIA, the quoted subsidiary of Imperial Chemical Industries, has emerged from a sluggish decade with doubled after-tax profits in the March half-year and its first dividend boost for three years.

The company lifted earnings to A$47.7m (US$34.4m) from A$23.7m and is joining the rush to beat tax changes with a one-for-six bonus issue. The interim dividend is up from 7 cents to 8 cents a share.

The result was achieved on a revenue increase of only 16 per cent to A$1.12bn and Mr Chris Hampson, managing director, said much of the improvement reflected a campaign to lower costs in response to difficult economic conditions.

He said the benefits of devaluation were beginning to be felt by the company's customers, many of whom had been importing less and exporting more and consequently using more of ICI's chemicals.

The result was despite a sizeable increase in ICI's interest bill from $A13.8m to A$26.2m and followed a big increase in tax liability from $A39.5m to $A56.8m. It excluded a $A4.05m extraordinary profit ($A927,000 previously).

## Hattori Seiko shows first pre-tax loss

BY YOKO SHIBATA IN TOKYO

HATTORI SEIKO, the Japanese watch maker, suffered a pre-tax loss of Y1.31bn ($9.36m) in the year to March, its first deficit since it became a public company in 1949. In the preceding year, pre-tax profits were Y3.51bn.

The company managed to remain Y1.63bn in the black at the net level, a fall of 41 per cent, after profits of Y3.49bn on sales of securities holdings.

The dividend per share is unchanged at Y10.

Turnover at Y307.86bn was down 17.5 pr cent. Sales of watches tumbled by 27 per cent to Y190.06bn, a 12 per cent fall in unit terms to 59.3m items.

For the current year Seiko expects to swing back to pre-tax profits of Y2bn despite a further 3 per cent dip in turnover to Y300bn.

● Ricoh, a maker of office automation equipment, reported its second consecutive double-digit fall in pre-tax profits, down 27.7 per cent in the year to March to Y18.55bn.

Net profits fell 29.6 per cent to Y8.77bn, and Ricoh blamed the setback on the yen's appreciation which cut Y26bn from export profitability.

Copier exports declined by 28.6 per cent, but domestic sales fared well in all divisions and overall sales were just 0.4 per cent lower at Y487.93bn.

In the current year Ricoh is to shift more production to overseas markets. It is planning to expand plain paper copier production in the UK to 3,000 a month and plans to boost production in the US.

Its target for total sales is Y520bn, up 7 per cent, and for pre-tax profits Y19bn, up 2 per cent.

## Currency factors hit earnings at Suzuki

BY OUR TOKYO STAFF

SUZUKI MOTOR, Japan's largest maker of small cars and its third largest motorcycle manufacturer, suffered a 7.4 per cent fall in unconsolidated pre-tax profits to Y16.75bn ($119.7m) in the year to March.

Net profits were 9 per cent lower at Y5.6bn, or Y18.91 per share against Y20.65, from which an unchanged dividend of Y6.50 is being paid. The company blamed the decline mainly on a Y53bn exchange loss resulting from the yen's appreciation.

Sales rose 3.1 per cent to a record Y744.85bn, thanks to brisk sales of four-wheel vehicles which advanced 14 per cent to 994,000 units. This in turn was due to favourable export sales of 1,300 cc cars to General Motors of the US. Sales of motorcycles decreased 11 per cent to 1,093,000 units.

In the current year, car sales are projected at 1,045,000 units, exceeding 1m vehicles for the first time. However, sales of motorcycles are expected to continue to decline by around 10 per cent from the previous year. On turnover projected at Y750bn, up 3 per cent, pre-tax profits are expected to plunge 40 per cent to around Y10bn, owing to the yen's strong value.

## Orient Leasing strongly ahead

PRE-TAX profits at Orient Leasing of Japan leapt 2½ times to Y18.23bn ($130.3m) in the half-year to March from Y7.18bn, writes Yoko Shibata in Tokyo.

The company benefited from foreign exchange profits totalling Y8.3bn as a result of an advanced repayment of US dollar - denominated loans amid the yen's steep appreciation.

Leasing contracts and rentals slowed, reflecting the sluggish machine tool and industrial machinery industries. However, revenue from instalment sales of aircraft, mortgage - backed securities and loans for land purchases grew substantially. Overall turnover advanced 20 per cent to Y229.9bn.

For the whole year to September, the company expects pre-tax profits of Y24bn, up 52 per cent, and net profits of Y3.7bn, up 9 per cent. Turnover at Y465bn is forecast to rise 16 per cent.

Orient Leasing plans either to carry out a 20 per cent free issue of shares or increase its per-share dividend by Y2. It paid a Y13 dividend for the previous year.

# Attention focuses on two novel Eurosterling bonds

BY CLARE PEARSON

A COCKTAIL of Eurobonds in a variety of currencies emerged yesterday, but attention focused mainly on the Eurosterling market, where Morgan Grenfell introduced a couple of innovative issues.

First to catch the market's eye was a £100m bond for General Cinema, the US entertainments and soft drinks bottling group, with the unusual feature of being convertible into shares held by the company in Cadbury Schweppes, the UK food and drinks company.

This was the first bond convertible into the shares of a company other than the issuer to appear in the Eurosterling market, and it also broke new ground in other respects.

The main distinction was that General Cinema has the right to offer the cash equivalent instead of the actual shares to the investor when he converts. This feature helped sustain the share price yesterday, encouraging the bond to trade about three points above its par issue price.

Cadbury Schweppes has long been seen as a takeover target, and once equity market makers had taken in the fact that General Cinema was retaining flexibility over its stake, they rapidly set about reversing an earlier markdown following the announcement of the bond.

The deal also incorporated the novel feature of a coupon, indicated at 5 to 5¼ per cent, payable semi-annually. This attracts investors since it limits their loss of accrued interest when their convert into the shares.

This, combined with a put option in 1992 priced to provide a yield flat on gilts, ensured a firm reception for the bond in spite of a relatively high fixed £3 conversion price, which implied a premium of 18.6 per cent at the time of pricing.

While continued strong buying of UK equities provided a helpful background to General Cinema's deal, a shaky gilt market did nothing for Morgan Grenfell's other issue yesterday morning, a 25-year straight for Angle and Overseas Trust, an investment trust managed by Morgan Grenfell Investment Management.

The £35m bond represented

**INTERNATIONAL BONDS**

the first issue by a UK investment trust in the Eurosterling market. The lead-manager said the freedom from timing constraints enjoyed by the Eurosterling market, and the possibility of greater secondary market liquidity than in a domestic placing, decided the borrower to take this route.

The deal was, however, clearly designed mainly to appeal to domestic investors both in terms of pricing and security — a floating charge on the borrower's investment portfolio.

The 9 per cent bond, priced at 89¾, yielded at launch about 120 basis points over the benchmark gilt. This struck investors as tight initially, although a later rally in the gilt market helped the issue and it was quoted within fees at less 2¼ bid.

Elsewhere LTCB International seemed to find good demand for a Y30bn bond for its parent, Long Term Credit Bank of Japan, despite further falls in the secondary Euroyen market. The 10-year 4⅞ per cent bond, priced at 101⅞, was quoted at less 1⅞ bid compared with 2 per cent fees.

The Australian dollar sector continued strong after an encouraging reception to an A$500m government bond tender in the domestic market. Two new Eurobonds met good responses.

These were an A$50m 4½-year 13¾ per cent deal for Landesbank Schleswig-Holstein, priced at 101⅝, led by S. G. Warburg Securities; and an A$50m three-year 13¾ per cent deal, priced at 101¼, for WestLB Finance, led by the parent, Westdeutsche Landesbank.

Salomon Brothers International led an Ecu 50m five-year 7¾ per cent deal for Ville de Montreal, priced at 101⅜. It traded around its 1⅞ per cent fees.

Nikko Securities led a $100m five-year floating rate note secured on the rump bonds of four equity warrants issues for Japanese companies. The deal, for Civas, a special purpose vehicle, was priced at par and pays ⅛ point over six-month London interbank offered rate.

In the D-Mark market, prices firmed slightly in continuing low volume. A DM 300m bond for Gillette Finance, launched formally yesterday, improved to less 1¼ bid

Trinkaus & Burkhardt led a DM 75m 10 year private placement for the EEC. The 6 per cent bond, priced at par, was quoted at around less 1¾ bid.

Prices in the Swiss franc foreign bond market were steady in average volume. A SFr 150m 5¾ per cent issue for Mountleigh, the UK property company, closed its first day's trading at 100¼, ¼ point above issue price.

Swiss Bank Corporation led a SFr 300m 10-year 2 per cent deal for Nestle's US subsidiary, with five-year warrants into shares of the Swiss parent.

# Alusuisse plan delayed

BY JOHN WICKS IN ZURICH

SWISS ALUMINIUM (Alusuisse) faces a delay in its sweeping re-structuring programme because of a procedural error.

Last month, the annual meeting approved a board proposal to halve capital from SFr 1.13bn ($774m), to SFr 565m. This move, together with the freeing of SFr 158m of reserves, was required to cover a 1986 loss of SFr 724m.

The Swiss federal registrar of companies has now refused to register the transaction in that only holders of voting shares and not certificate-holders were consulted on the devaluation move. Registration is necessary for any corporate transaction of this kind to come into effect.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 19

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7⅛ 92 | 200 | [illegible] | [illegible] | 0 | [illegible] | 9.52 |
| A/S Eksportfinans 7⅛ 93 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | 9.40 |
| A/S Eksportfinans 7⅛ 92 | 150 | [illegible] | [illegible] | [illegible] | −1 | 9.34 |
| Austria 7¼ 97 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | 9.40 |
| BP Capital 9⅛ 94 | 100 | [illegible] | [illegible] | 0 | [illegible] | 9.45 |
| British Telecom 7⅝ 96 | 250 | [illegible] | [illegible] | [illegible] | −1 | 9.62 |
| Campbell Soup 10½ 95 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | 9.58 |
| Canada 9 96 | 1000 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canadian Pac. 10⅝ 95 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CCCE 7⅛ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CNCA 7¾ 91 | 150 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Citicorp 8¾ 93 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | 10.12 |
| Credit Lyonnais 9 91 | [illegible] | [illegible] | [illegible] | 0 | [illegible] | 9.14 |
| Credit National 7⅞ 92 | 100 | 95 | [illegible] | [illegible] | [illegible] | [illegible] |
| Credit National 9⅛ 93 | 150 | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| Credit National 7¾ 91 | 150 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark Kingdom 7⅛ 92 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark Kingdom 8¼ 91 | [illegible] | [illegible] | 97 | [illegible] | −1 | 9.21 |
| EEC 7 91 | 100 | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| EEC 8¼ 96 | 100 | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| EEC 7¾ 93 | [illegible] | [illegible] | 92 | [illegible] | [illegible] | 9.13 |
| EIB 7⅞ 93 A | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Finland 7⅞ 97 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Finland 7½ 95 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ford Motor Cred. 10½ 91 | 250 | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| Ford Motor Cred. 11⅜ 90 | 100 | [illegible] | 106 | 0 | [illegible] | [illegible] |
| Gen. Elec. Cred. 10¼ 00 | 200 | [illegible] | [illegible] | 0 | [illegible] | 9.90 |
| Hoesch 7⅞ 92 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Chugoku Electric 5 93 | 15 | [illegible] | [illegible] | [illegible] | [illegible] | 4.82 |
| Credit National 4⅞ 92 | 15 | [illegible] | [illegible] | [illegible] | [illegible] | 3.70 |
| Denmark, Kingdom 5⅛ 92 | [illegible] | 101½ | [illegible] | [illegible] | [illegible] | 4.72 |
| EEC 4⅞ 93 | 25 | 100½ | 101 | [illegible] | −1 | [illegible] |
| Elec. de France 5⅛ 94 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Kansai Electric 4⅞ 94 | 60 | [illegible] | [illegible] | [illegible] | [illegible] | 4.69 |
| Norway 4⅞ 92 | 60 | [illegible] | [illegible] | [illegible] | [illegible] | 4.51 |
| SNCF 4⅞ 93 | 20 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden, Kingdom 5⅛ 93 | [illegible] | [illegible] | [illegible] | [illegible] | −1 | [illegible] |

Average price change on day [illegible] on week [illegible]

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| A/B Electrolux 14½ 90 A$ | 50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bergen Bank 15 90 A$ | 50 | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| BHF Bank 14⅞ 92 A$ | 40 | [illegible] | [illegible] | [illegible] | [illegible] | 13.34 |
| DG Finance 14⅞ 92 A$ | 50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Deutsche Bk. 14¼ 92 A$ | 100 | [illegible] | [illegible] | [illegible] | [illegible] | 12.72 |
| Deutsche Bk. 14½ 92 A$ | 150 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Montedison F. 15½ 90 A$ | 50 | [illegible] | [illegible] | [illegible] | [illegible] | 13.73 |
| World Bank 14⅞ 92 A$ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canadian Pac. 10⅝ 90 C$ | 75 | 100 | 100½ | 0 | [illegible] | [illegible] |
| Chrysler Corpn. 10 91 C$ | 75 | †97 | [illegible] | [illegible] | [illegible] | 10.12 |
| Genstar Fin. 11¼ 95 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GMAC 9⅞ 92 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Royal Trustco 10⅞ 90 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | 10.16 |
| Sears Acc. 10⅞ 92 C$ | 75 | [illegible] | [illegible] | −1 | [illegible] | 10.59 |
| Coca-Cola F. C. 17 90 NS | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark 17½ 89 NS | [illegible] | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| Denmark 7¾ 92 Ecu | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Gunma Bank 2⅞ 02 | [illegible] | [illegible] | 139 | [illegible] | [illegible] | −2.18 |
| Mitsubishi Bank 2⅝ 00 | [illegible] | 1715 | [illegible] | [illegible] | [illegible] | −2.25 |
| Mitsubishi Trust 2½ 01 | [illegible] | [illegible] | 397 | [illegible] | −16 | −9.42 |
| Mitsui Bank 2⅝ 01 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | −0.61 |
| Mitsui Trust 2⅝ 01 | [illegible] | 1990 | [illegible] | [illegible] | [illegible] | −2.72 |
| Murata 3½ 00 | [illegible] | [illegible] | [illegible] | [illegible] | +9 | 1.43 |
| Nippon Elec. 2⅞ 00 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nippon Oil Co. 3 00 | [illegible] | 929 | †242 | 243 | [illegible] | −4.66 |
| Oki Elec. Ind. 3½ 99 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | −0.29 |
| Omron Tateisi 2⅞ 02 | [illegible] | [illegible] | [illegible] | [illegible] | 0 | −2.58 |
| Sanwa Bank 2⅞ 00 | [illegible] | 1442 | [illegible] | [illegible] | [illegible] | −1.62 |
| Sumitomo Bank 2¾ 00 | [illegible] | 2142 | 387 | 388 | −13 | 0.62 |
| Toshiba Ceramics 3 00 | [illegible] | 1734 | [illegible] | [illegible] | [illegible] | 19.72 |
| Nippon Oil Co. 2⅞ 92 SFr | [illegible] | 1001 | †142 | 143 | −1 | −1.42 |
| Yokohama Bank of 2⅞ 01 | [illegible] | 1045 | 215½ | 217½ | −3½ | −0.22 |

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



Clare Pearson on reaction to AIBD's computer-based trade confirmation system

# Dealers bow to progress when it pays

EUROBOND dealers are not Luddites, their opposition to the introduction of a screen-based price quotation system notwithstanding. On the contrary, where the use of technology advances their own interests, they show themselves willing to march with progress.

Improvements in trade confirmation mechanisms — unlike visible prices, which are seen as a threat to profitability — are obviously to the advantage of the main players in the market, since it is they who are exposed to the greatest risks when bargains miscarry.

So the board of the Association of International Bond Dealers expects little opposition at its annual meeting, which opens in Oslo tomorrow, to its plan to introduce a computer-based trade confirmation system, requiring dealers to input transaction details throughout the day.

As Mr John Wolters, secretary general of the AIBD, puts it in a recent letter to members: "Support from all areas of the market, but especially from the large professional dealers, has been overwhelming."

This contrasts with the vehment opposition of big firms to the AIBD's proposal for an automated quotation system. The Oslo meeting will hear a progress report on studies conducted with the National Association of Securities Dealers of the US, which operates the Nasdaq over-the-counter share market. But the board has already decided not to take the project forward at this stage.

The basis of the markets' enthusiasm for the trade confirmation scheme is a drive to cut costs at a time when new regulatory demands are pushing up the price of participation in the market, and as growth in turnover makes failed trades increasingly costly.

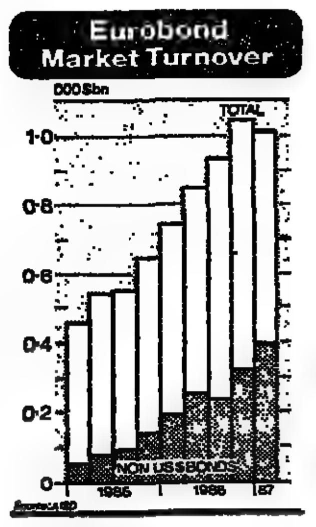
It is estimated that about 10 per cent of trades currently fall apart due to dealers forgetting, or misunderstanding, what they had agreed with their counterparty. This has to be seen in the context of over $1,000bn worth of turnover in the first quarter of this year.

Introduction of the scheme, planned for October next year, will involve houses in additional costs. A few small firms without machines will have to invest in personal computers. Others will have to write software for their mainframe computers.

Also, there is expected to be a monthly standing charge of £150 plus a small per-transaction charge of less than £1 for each side of a trade.

"Offsetting these costs to participants, however, are large potential checking-staff savings and of course a sharp reduction in the numerous failed trades that are increasingly leading to expensive disputes," Mr Wolters says.

The system, dubbed Trax, is designed primarily as an aid to dealers. It provides a regular




update throughout the day by comparing the main details of the trades.

The data the system will accumulate potentially has wider usages, however. It could provide the basis of an index enabling futures and options exchanges to launch contracts based on Eurobonds, for example.

It will also help in the AIBD's plan to become designated as an investment exchange by the UK regulators. For this the association needs to be able to provide trade information to the Securities and Investments Board, the umbrella self-regulatory board, to enable "audit trails" to be carried out. It may also have to publish volume and other market data.

The Trax system is intended to be complementary to a computerised trade matching system being developed by Euroclear and Cedel, which is aimed at relieving the burden on settlements departments of checking telexed or mail confirmations. The clearing systems aim to introduce the facilities by September.

The new system will provide a "trade-date-plus-one" matching capacity to report, on a given day, those trades entered by 10 am London time. The AIBD has undertaken to introduce a rule to ensure houses provide the relevant information by this time.

While the secondary market is busy improving its trade reporting facilities, the new issues market is engaged in efforts to streamline syndication procedures by the use of computers.

The International Primary Market Association (IPMA), the trade body for the new issues market, has been testing for some months a system of syndication principally aimed at enabling all co-managers to be invited into a deal simultaneously.

Up till now, syndication has been carried out by telephone and subsequent invitation telexes detailing the terms of an issue. There is a wide margin for confusion as co-managers may not be given all the details over the telephone, and these may emerge only hours later when the invitation telex turns up.

The IPMA programme has been developed with Computasoft, the software company, in question and answer form. It covers all the information required when launching a new deal as laid down in the IPMA guidelines. Formats for most types of debt instruments have already been tested, and one for equity issues is expected to be included when the system is distributed.

The package also covers all aspects of running a syndication book up to the payment date, such as monitoring responses and calculating fees, and for sending electronic mail messages to co-managers.

IPMA is due to sign a contract with Computasoft shortly and the system, which has already been tested by more than 20 houses, will then enter a testing period of about six weeks before being formally commissioned.

The association hopes to reduce the cost to members by offering a receive-only option. This is designed to open up the system to houses which usually act as co-managers and therefore have not clocked up enough lead-managements business to become association members.

# EC proposal could mean less investor protection

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

LONDON'S Stock Exchange has complained to the Government that a European Community draft directive would reduce the protection to investors afforded by the exchange's listing requirements.

In a letter to Mr Paul Channon, Secretary of State for Trade and Industry, Sir Nicholas Goodison, the exchange's chairman, also expressed his concern about another draft directive which, he said, threatened to stifle the Eurobond market.

The directive on mutual recognition would require the authorities in one member state to accept listing particulars officially approved in another member country.

The exchange said yesterday that this was "likely to reduce seriously, the amount of information and protection provided to investors in foreign companies whose equity is listed in the UK."

It is concerned that, despite some attempts at harmonisation, other EC member states have less strict requirements than Britain. Foreign companies would, therefore, have to provide less information in order to be listed in London than would British companies.

On the second directive, which covers prospectuses, the exchange said it shared the concerns of the International Primary Market Association,

# Fed allows more banks to enter securities side

THE US Federal Reserve Bank has conditionally approved the application of more banks to enter the securities markets, Reuter reports from Washington.

It has given four banks—Chase Manhattan, Chemical, Security Pacific, and Manufacturers Hanover—permission to place commercial paper as agents and to deal in municipal revenue bonds.

The approvals are similar to those given earlier to Bankers Trust, Citicorp, and J. P. Morgan for underwriting and commercial paper placement. The decision, which is effective immediately, came after a day-long closed-door meeting of the Federal Reserve Board.

# Kumagai Gumi (HK) issue 210 times oversubscribed

BY DAVID DODWELL IN HONG KONG

THE SHARE offering for HK$165m by Kumagai Gumi (Hong Kong), the local offshoot of one of Japan's leading construction groups, has been 210 times oversubscribed, drawing bids amounting to more than HK$34bn (US$4.36bn).

The offering, of 67m shares at HK$2.50 apiece, is for 22.95 per cent of the group's share capital. It was clear by Friday last week, as applications closed, that it was heavily oversubscribed. Local inter-bank market interests rates surged as cheques were cashed.

Applications amounted to more than 58 per cent of Hong Kong's money supply, which is HK$59bn measured in its narrowest sense.

In the unofficial local grey market, Kumagai shares were priced yesterday at between HK$4 and HK$4.50 each, a premium of at least 60 per cent over the issue price.

The offering is the first in Hong Kong by a company with substantial Japanese backing, and is understood to have attracted strong interest from Japanese securities houses based in the British territory.

Kumagai Gumi (Hong Kong) said yesterday that the cash call was small by comparison with the visibility of the group in Hong Kong. The Japanese group has won the majority of the large construction projects in Hong Kong in recent years

# Canada limits Big Bang to financial units

By Chris Cameron-Jones

COMMERCIAL non-financial companies will be prevented from making further inroads into the Canadian financial services sector under impending deregulation of the financial markets.

Mr Tom Hockin, Canada's Finance Minister, said in London yesterday that after weighing up involvement by commercial concerns, such as Brascan and Power Corporation, the government had decided that further integration of the commercial and financial sectors "will not be permitted."

This was because of the overriding fact that many commercial concerns were themselves large borrowers and therefore could pose a threat to the solvency of lenders and the integrity of the sector, he explained.

Mr Hockin, who was addressing the Canada-United Kingdom Chamber of Commerce after his talks with the Bank of England, said that the Canadian authorities had learnt one particular lesson from the UK experience of Big Bang. This was that Britain had approached the problem of deregulation from a domestic angle and then amended the proposals to take account of the international aspects.

By contrast, Canada had sought to create a system that first acknowledged what was happening internationally.

The changes were designed in view of what was needed to enable the four pillars of Canada's finance industry—the banks, trusts, insurance companies and securities houses—to compete in a global market.

Under the new regulations in Canada's Big Bang, foreign concerns will be able to own wholly firms in the exempt sector of the financial market from June 30 and 50 per cent of full service firms. A year later there will be no distinction between the treatment of foreign and domestically-owned security dealing subsidiaries.

Foreign financial institutions will be permitted to own Canadian full service securities dealers outright from June 30 next year.

The staggered start to foreign ownership rules was designed to give the domestic institutions time to react to the new conditions.

Mr Ian Steers, a vice-chairman of Wood Gundy, told the meeting that local reaction to Big Bang appeared to have been muted but behind the scenes "intense activity and study is going on."

# UK COMPANY NEWS

## Allied-Lyons up 27% to £341m

BY ALICE RAWSTHORN

**Allied-Lyons,** the brewing and food group, ended a year in which it routed a takeover bid from Elders IXL and acquired control of Hiram Walker-Gooderham and Worts by unveiling a 27 per cent increase in pre-tax profits to £340.9m.

Sir Derrick Holden-Brown, chairman, said that in "a momentous year" Allied had seen "substantial growth" from its beer and food divisions and "much progress" within wine and spirits. He disclosed that the group had spent £7.5m on the defence against Elders during the year, bringing the the total over two years to £14.3m.

In the 53 weeks to March 7, Allied's turnover rose to £3.6bn (£3.3bn) and operating profits to £328.3m (£263.5m). Earnings per share increased to 33.8p (26.4p) and the board proposes to pay a final dividend of 7.5p making 11.4p (9.5p).

Hiram-Walker made its first contribution to the group providing turnover of £208.2m and profits of £21.0m for three months. Sir Derrick said there was little need for rationalisation at the company—which cost £445m overall—but that its inclusion would enhance product synergy.

In the UK, the beer division fared well, increasing turnover to £1.5bn (£1.3bn) and pre-tax profits to £157.5m (£118.3m). Castlemain XXXX and Lowenbrau were especially successful.

Wine and spirits benefited from restructuring and new product development. Turnover rose to £870.5m (£849.3m) and profits to £113.9m (£80.1m).

Tea, coffee and Lyons Seafoods emerged as the successes of the food division which increased turnover to £1.25bn (£1.2bn) and profits to £88.5m (£74.5m).

Allied received £34.4m (£28.1m) in profits from property and investments. Property profits will not continue to grow at this pace, however, given that rationalisation of the tied estate is now completed. Related companies contributed £37.6m (£22.8m) and investment income £3.4m (£2.2m).

Gearing stood at 70 per cent by the year end, and Sir Derrick expects borrowings to be "progressively reduced" henceforth. Interest deducted £62.8m (£47.1m) and taxation £92.7m (£84.3m). The cost of the defence against Elders together with reorganisation and closure costs is expressed as an extraordinary item of £39.8m (£17.0m).

See Lex

## Guinness Peat advances to £14.3m midway

BY DAVID LASCELLES, BANKING EDITOR

**Guinness Peat,** the financial services group, increased its profits by 52 per cent at the half way stage. Interim results out yesterday showed pre-tax earnings of £14.27m for the six months ending on March 31, compared with £9.42m in the same period last year.

After tax profits were £11.58m, up from £7.63m, equivalent to a 35 per cent increase in earnings per share from 3.1p to 4.2p, taking into account the increase in capital. The interim dividend is 1.1p, up from 0.9p.

Mr Alastair Morton, the chairman, said that the improved performance had come from many parts of the business: Guinness Peat Aviation; the Fenchurch insurance broking subsidiary; fund management; and merchant banking. Forstmann-Leff Associates and Eagle Management and Trust, the two recently-acquired US fund management companies, had achieved or exceeded their profit targets.

However, with these acquisitions, more than 70 per cent of Guinness Peat's earnings are now in dollars, and the recent weakness of the US currency had a depressing impact on the results.

Mr Morton said that Guinness Peat had had meetings with the Equiticorp Group from New Zealand which recently bought a 26 per cent stake. The talks were inconclusive, and a further meeting is planned next month.

**● comment**

Guinness Peat's ambitious expansion into the US over the last two years was bound to be vulnerable to a fall in the dollar —and this has now happened. Apart from the newly acquired fund management operations across the water, Fenchurch and Guinness Peat Aviation also have large dollar earnings which lost about ten per cent of their sterling value in the last six months. If the dollar continues on its downward path, Guinness Peat's flourishing London-based merchant banking operations will have to work very hard indeed to extend the group's recent earnings trend. Even so, these were good results and the market responded by marking GP's shares up 4p to 108p. Although GP has talked to its Antipodean shareholders, it seems to have no clearer idea about their intentions than does the market.

## Director lifts Pearson stake to 9.5%

By Nikki Tait

MR MICHAEL David-Weill, senior partner of Lazard Freres, together with associates, announced yesterday that they have increased their stake in Pearson, the British conglomate which takes in publishing, banking and china interests —including the Financial Times —from 8.6 to 9.5 per cent.

Mr David-Weill and associates have purchased a further 1.85m shares taking their total holding to 19.58m shares. Mr David-Weill is a non-executive director of Pearson, which owns a 50 per cent interest in Lazards Brothers, the UK merchant bank and smaller stakes in Lazard Freres in New York and Paris.

## Yule Catto considers bidding for Reabrook

BY CLAY HARRIS

Yule Catto is preparing to renew its drive into chemicals, with a possible takeover bid for Reabrook Holdings, aerosol and cleaning products group.

Reabrook shares leapt 32p to 210p yesterday, to value the company at £15.7m, after it disclosed the approach from the chemicals, building products and plantation group. Talks may be held later this week, said Mr J. C. Richardson, Reabrook chairman.

Yule already owns 21 per cent of Reabrook, most of it bought during its unsuccessful bid for Barrow Hepburn, chemicals group, earlier this year. Relations between the two companies have been friendly, and Yule has never excluded the possibility of an offer.

It was determined, however, to avoid another contested bid in the wake of the Barrow defeat and a similar futile offer for paint group Donald Macpherson in 1984.

Mr Alex Walker, Yule chief executive, said that Reabrook would bring his group much closer to consumers through its packaged cleaners and polishes such as Liquid Gold.

Reabrook specialises in chemicals for cleaning, maintenance and hygiene, but has moved recently into household and industrial textile products and a valet-cleaning service for the motor trade.

In 1986, Reabrook increased pre-tax profits by 18 per cent to £1.2m on sales 21 per cent ahead at £15.1m.

## Merchant bank cuts Merivale Moore stake

Hill Samuel, the merchant bank, has halved its stake in property company Merivale Moore to 6.76 per cent, via the sale of 900,000 shares. The bank, advisers to Merivale, took a 25 per cent interest in the company in the early seventies—long before its stockmarket launch in late 1985.

Merivale's chairman, Mr Grenville Dean, and another director, Mr Jim Prideaux, have also sold 200,000 and 41,500 shares respectively, leaving them with stakes of 15.05 per cent and 1.42 per cent.

The vendors say they have no present intention of selling further shares.

## Rolls-Royce to attract hectic trading

By Richard Tomkins

THE stock market is expecting—a bout of hectic trading in Rolls-Royce shares this morning when dealings in the newly-privatised company start at 9 o'clock.

Heavy selling is expected from large numbers of people who bought shares in the hope of making a quick profit. Cleveland Securities, the licensed dealer making an unofficial market in the shares, was offering to buy the 85p partly-paid stock at 137p yesterday—a premium of 61 per cent to the offer price.

The potential for profit-taking has, however, been limited by the small allocations of shares. Applicants for 400 shares have been allocated only 150, and those seeking 10,000 will receive only 350.

Letters of allotment were posted yesterday, so most applicants should receive them this morning. The rush to sell is expected to put heavy pressure on the few stockbrokers and dealers offering a "no-frills" dealing service to unknown clients.

National Westminster Bank, the lead receiving bank to the issue, is expecting strong demand for the special dealing service it is offering to customers and non-customers alike at 245 of its biggest branches.

People bearing their allotment letters will be able to use the NatWest's touch-screen service to sell their shares at the prevailing market price. Payment, less £15 commission, will be made on the spot.

Buyers for the shares are expected to include institutional investors who had their allocations cut back as a result of the strong public demand, and overseas investors who were not given any allocation in the initial offering.

However, overseas investors are not allowed to hold more than 15 per cent of Rolls-Royce's shares in total, so buying interest from this quarter could evaporate when the ceiling is thought to have been reached.

## Advisers discuss Midsummer offer

Hambros, advising Midsummer Leisure in its takeover bid for Riley Leisure, held its first meeting yesterday with Hill Samuel, the snooker group's merchant bank.

Midsummer hopes to win a recommendation for its offer, which values Riley's fully-diluted ordinary share capital at £17.1m. Riley so far has urged shareholders to take no action.

Midsummer shares added 15p to 430p to make its paper offer worth a little more than 99p. Riley shares rose by 4p to 101½p.

## IN BRIEF

**HUNTER SAPHIR,** USM-quoted food products company, is to buy Tissot Foods for an initial consideration of £3m in a combination of shares and cash. If Tissot's two-year profits to end-March 31 1989, reach £1.1m, a further £2 for every £1 of profits will be paid. For the year to end-March 1987, Tissot produced £290,000 pre-tax, with net tangible assets of about £400,000. Telford-based Tissot produces pre-packed frozen meals.

**G. W. THORNTON Holdings** (USM quoted manufacturer of aerospace forgings and hip replacement joints): Interim dividend of 1.5p, as forecast when shares were placed in March. Turnover for six months to March 31 1987 was £4.26m (£4.51m) and pre-tax profit £320,000 (£297,000). Tax took £112,000 (£104,000) and earnings per share came out at 6.5p (6.4p).

**AUTOMATED SECURITY** (Holdings) is in talks with Inspectorate Holdings USA, a subsidiary of Inspectorate International SA, regarding the sale of its entire shareholding of 2.53m shares in Network Security. This follows the announcement that Inspectorate Holdings had made a $9 (£5.34) per share offer for Network's outstanding common stock.

**REGENTCREST** has agreed to acquire Coutts Corporate Finance for an aggregate consideration of £5.67m to be satisfied by the issue of 9m Regentcrest ordinary.

**W. CANNING,** speciality chemicals, metals and electronics manufacturer, is to acquire Société des Adhesifs de Bellegrade-Ain, a French manufacturer of industrial adhesive tapes for FFr 28m (£2.8m) subject to French Government approval. In 1986 it produced £464,000 pre-tax on turnover of £6.1m.

**WARD WHITE:** Annual report revealed that Mr Philip Birch, chairman, received emoluments, excluding pension contributions, of £317,000 for 1986-87 (£25,000). Most of this related to the group's performance.

## British Airways beats forecast with £162m

BY LYNTON McLAIN

**British Airways,** the former state-owned airline floated on the stock market earlier this year, made £162m pre-tax profit for the year to the end of March 1987. This was 17 per cent down on the £195m pre-tax profit in the previous year, but was £17m higher than the forecast pre-tax profit in the offer for sale prospectus in January.

The airline will pay a dividend of 4.116 pence per share on 31 July 1987 to shareholders registered on 11 June. Turnover was little changed at £3.263bn in 1986-87, compared with £3.149bn in the previous financial year.

The airline earned 20.5p per share in the year to the end of March, compared with 26.8p per share in 1985-86.

The airline made an operating surplus of £183m in the last financial year, compared with £205m in the previous year.

Lord King, the chairman of British Airways said yesterday (Tuesday) at a press conference on the preliminary results for 1986-87 that the airline had continued the recovery he talked about in November when the interim results were announced.

BA blamed a "substantial decline" in its summer 1986 business on international terrorism and the Chernobyl nuclear reactor explosion. The fall in business had been especially marked on the North Atlantic.

The airline improved on its forecasts in the prospectus because fuel prices did not rise in the last financial year as the airline had assumed they would and because sales revenue was stronger than expected.

Staff costs at BA increased sharply from £638m to £722m, mainly because of higher pay rates and overtime, but the number of staff increased by 1 per cent and productivity was maintained, BA said.

The airline's borrowings stood at £297m and its net worth was £606m at the end of the financial year.

Lord King said BA saw a need for a "much greater understanding in Britain of the scale of competition that we face from US, European and Far Eastern airlines."

He wanted "no externally imposed restrictions on our growth. The Government's attitude might have to be thought out more.

"With the emergence of the mega-carrier and the opportunity they have to exploit certain routes, we want to be able to fly where we feel it is profitable to do so," Lord King said.

"I would like the Government to understand competition. We want to make quite sure we can compete. We are looking for an understanding from the Government of what competition really is in the world market."

See Lex

## Chillington sells 29.9% stake in Telfos

By Nikki Tait

Chillington Corporation — formerly Plantation and General Investments—announced yesterday that it had sold a 29.9 per cent stake in Telfos, which makes non-ferrosu rods and metal spraying equipment, to a quoted Australian investment company, Industrial Securities.

The shares were sold at 96p, netting Chillington £5.3m. The company intends to retain a 149 per cent holding "as a long-term investment," and the balance of its 57 per cent holding has been placed with clients of stockbrokers Fiske and Co.

Shares in Telfos jumped 25p to 120p on the news.

Yesterday Mr Konrad Legg, chairman of Chillington, said that the merger with Anglo-year had given the company Indonesian Corporation last direct involvement in various industrial interests and it would be "more logical" to concentrate on these.

The stake in Telfos dates back to the early eighties; in 1983, when its holding increased to near 50 per cent, P and G launched an offer for the outstanding shares but only raised its holding to 51.3 per cent.

Mr Legg will now resign from the Telfos board, and Mr David Lindh, Industrial Securities' chairman, will be invited to join in.

## Eleco Holdings to acquire Stramit Inds. for £4.4m

BY STEVEN BUTLER

**Eleco Holdings,** the electrical engineering, construction and property company, yesterday announced the acquisition for £4.4m of Stramit Industries (UK), the building construction materials manufacturing subsidiary of the Australian Ada Corporation.

Eleco also said it had been granted planning permission for an £8.5m residential and commercial riverside development in Putney, to be completed within the next two years.

The Stramit acquisition is to be financed by the issue of 2.83m new ordinary shares, which are being conditionally placed with institutional and other investors and are being made available to existing shareholders of Eleco at 155p per share through an offer by S. G. Warburg. Yesterday Eleco shares closed down 3p at 163p. Mr Michael Webster, Eleco's managing director, said yesterday that the acquisition would allow Eleco to offer a fuller range of building materials.

Eleco forecasts that profits for the year ending June 30 1987 will increase at least as much as the previous year, when profits grew by 23 per cent to £2.72m, on a turnover of £27.74m.

### DIVIDENDS ANNOUNCED

| | | | | | |
|---|---|---|---|---|---|
| Allied-Lyons | 7.5 | July 31 | 6.25 | 11.4 | 9.5 |
| J. Bibby ...int | 2.75 | July 7 | 2.75 | — | 8.25 |
| British Airways | 4.12 | — | — | 4.12 | — |
| Brooke Tool ...int | †0.68 | July 20 | 0.63 | — | 1.45 |
| Cakebread Robey | 3 | July 15 | 2.5 | 3.8 | 3.3 |
| Fine Art | 4 | July 3 | 2.8 | 5.5 | 4 |
| Guinness Peat ...int | 1.1 | — | 0.9 | — | 2.38 |
| Holmes & Marchant int | 1.75 | Sept 30 | 1.25 | — | 3.6* |
| McCarthy & Stone int | 0.95 | July 31 | 0.82 | — | 3.33 |
| Readicut | 1.93 | — | 1.47 | 2.18 | 1.63 |
| J. Sainsbury | 4.95 | July 17 | 3.85 | 7 | 5.5 |
| G. W. Thornton ...int | 1.5 | — | — | — | — |
| Tomkinsons ...int | 2 | — | 1.25 | — | 4 |
| Top Value | 2.5 | — | — | 2.5 | — |
| Yorkshire TV ...int | 3 | July 17 | — | — | 4 |

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

# UK COMPANY NEWS

## Sainsbury tops expectations with leap to £268m

J. Sainsbury, the supermarket operator, lifted pre-tax profits by more than 28 per cent from £208.5m to £268.1m in 1986, comfortably exceeding City expectations of £245m-£250m.

Turnover rose from £3.58bn to £4.04bn.

The directors propose a final dividend of 4.95p, making a total of 7p (5.5p) for the year. They also announced a one-for-one capitalisation.

Sir John Sainsbury, chairman, said that the company's consistent growth enabled it to increase its outstanding investment programme in new stores. It planned to open at least 50 supermarkets, 25 Homebases, and two SavaCentres by 1990.

He said that 1986 was the eighth successive year in which profits had increased by more than 20 per cent. The net margin on retail sales at 6.19 (5.45) per cent and current cost return on capital employed of 19.3 per cent were both at record levels.

Supermarket sales increased by £448m, or 12.8 per cent. Volume growth in the company's supermarkets division was more than 10 per cent of which about 25 per cent came from existing stores and about 75 per cent from new stores. Sir John added that at 2.4 per cent food inflation was once again below the general rate and was at its lowest level for 19 years.

Sales of the five trading companies in which Sainsbury has an interest totalled more than £1bn, Sir John said.

Homebase increased sales by 23 per cent to £107m and profits by 54 per cent to £3.2m. SavaCentre sales rose by 3.5 per cent to £289m and profits by 34 per cent to £17m. Sainsbury had received planning consent for new hypermarkets at Merton, south London, and Sheffield.

Shaw's Supermarkets, the US supermarket company in which Sainsbury now has a 28.5 per cent holding, increased its sales to $1.1bn (£653m) and profits to $31.1m.

During the year Sainsbury opened 15 new supermarkets, totalling 437,250 sq ft. In the current year it expects to open a further 16 totalling 489,530 sq ft. It opened four Homebase stores last year—a total of 162,080 sq ft—and expects to open another seven, adding up to 282,710 sq ft, in the current year.

Associated companies contributed £17.9m (£13.6m) to the pre-tax profits. Tax took a total of £88.9m (£65.4m), after which earnings worked through at 22.33p—up from 18.23p last time.

See Lex

## Readicut surges 86% to £10.5m

IMPROVED profitability in most companies, backed up by additional profits from recently acquired businesses, enabled *Readicut International* to advance its pre-tax profit by 86 per cent to £10.5m in the year ended March 31, 1987.

Earnings were ahead 41 per cent to 5.98p (4.25p) and shareholders receive an increase of 34 per cent in dividend, a final of 1.93p bringing the total up to 2.18p net (1.63p).

The directors of this specialist textile group reported that all companies were busy, and that the outlook for the first half and for the whole of the current year looked good.

At the end of last year the group purchased F. Drake (Fibres), a manufacturer of polypropylene fibres, for £12.5m, largely financed by an issue of 27.4m shares.

In the year, turnover rose 20 per cent to £146.89m (£122.2m), gross profit by 34 per cent to £35m (£26m), and trading profit by 59 per cent to £11.96m (£7.52m). And interest charges were cut to £1.45m (£1.88m).

After several years of low returns, and a £260,000 loss sustained in the year, Irish Spinners has been closed and the relevant costs of £1.48m shown as an extraordinary charge (£775,000).

Tax charge for the group came to £3.35m (£1.8m).

**● comment**

By absorbing its rug-kits-by-post activities into the furnishings and household textiles division, Readicut is determinedly breaking away from the handicraft image. This year's pre-tax profits' rise splits about half-and-half between organic growth (of which the £1m gain at Firth Carpets to £2½m was a major item) and acquisitions. Drake, acquired for £12m and in for only seven months, looks likely to pay for itself within four years. As the key to much of Readicut's new business, the carpets in the Nissan Bluebird for example, is polypropylene related and Drake brings inhouse fine fibre production/technology to set alongside Plasticisers' coarser products. This year £11m is to be spent on capital investment mainly at Drake and a £15m or so acquisition (for a mixture of cash and shares perhaps) is also on the cards, provided that Yorkshire can provide a suitable candidate. Expect £12¾m this year and in spite of the limited earnings growth, this suggests the shares, on a p/e of 12 at 76½p, are still attracting buy orders.

## Olives Paper board amends its contracts

BY SIMON HOLBERTON

THE BOARD of Olives Paper Mill, of Bury, Greater Manchester, yesterday decided to cancel controversial clauses of their management contracts in an attempt to avoid certain defeat in a shareholders' poll scheduled for later this week.

A determined effort by Melton Medes, the company's major shareholder with about 18 per cent of the capital, was augmented yesterday morning by Olives' two institutional shareholders who said they would vote against the company if the board's management contracts were not changed.

In March, the five executive directors of the company amended their contracts. The contracts specified that the directors could resign en bloc and collect 24 months pay if more than 25 per cent of the company's capital changed hands.

At the company's annual general meeting earlier this month, Melton Medes forced a poll of shareholders on resolutions calling for the re-election of two executive directors and the passing of the company's accounts. Proxies for the poll or shareholders are due by tomorrow morning and the poll's result will be tabulated on Friday morning.

Mr Aubrey Heyer met the representatives of F and C Pacific Investment and the ITC Pension Fund, which collectively control 18.2 per cent of the company's capital, at F and C's London offices yesterday morning.

"I had a completely open mind," Mr Heyer said yesterday. "That clause was not of our creation, it was there on our lawyer's recommendation."

Yesterday it became plain that Melton Medes would not vote with the board despite the change in contracts. Mr Nathu Puri, the company's chairman, said that Olives' articles of association did not require executive directors to present themselves for re-election and that he could not support the election of two directors.

The knowledge of this has not altered the institutions' plan to vote with the board—that decision was based on the management contracts being altered—but one major investor said yesterday the articles woudl have to be changed.

## Trimoco returns to profit with £0.5m

THE REVAMPED Trimoco made a pre-tax profit of £518,000 in the year ended March 31 1987, compared with a loss of £7.96m, and cut its attributable deficit from £4.23m to £2.26m.

Mr James Longcroft, the chairman, said the reorganisation of the company was complete. It is a major motor dealer (mainly Ford) and financier, again registered in the UK, having changed its name from Combined Technologies Corporation (based in Rotterdam) on ending its technology venture.

The chairman said pre-tax profit of the continuing motor business was £3.21m in 1986-87. Prospects for the current year looked good and the company was well placed to take advantage of the many opportunities for internal growth and acquisition.

The balance sheet was reorganised, enabling the payment of dividends. There is no payment for the year but a special 0.3p is being paid in July; subject to maintenance of progress, there will be an interim in January and a final next July.

Turnover rose from £167m to £177.77m. The profit included £1.04m exceptional credits relating to properties and was struck after interest of £1.54m (£1.84m).

The attributable loss was arrived at after extraordinary charges £2.42m (£2.07m credit, and £1.31m gains on subsidiaries' issues and minorities £942,000).

Now that the company is in a sound position, Mr Longcroft is leaving the board, and will be succeeded to the chair by Mr Roger Smith. Mr Leon Staciokas and Mr Eppo Koopmans will also be resigning their directorships.

## US packaging downturn hits J. Bibby

By Richard Tomkins

J. Bibby and Sons, the industrial group 86 per cent-owned by Barlow Rand of South Africa, yesterday reported a sharp downturn in first-half profits following a collapse in the contribution from its US packaging operation and a poor performance from its agricultural division.

Group pre-tax profits for the six months to March fell from £20.3m to £17.9m on turnover down from £269.6m to £262.6m. Earnings per share fell from 11.04p to 10.06p and the interim dividend is unchanged at 2.75p.

The decline came in spite of a cut in interest charges from £2.2m to £1.3m and a first time contribution of nearly £600,000 from the newly acquired Interchecks, a US cheque printer.

Most of the downturn came from Princeton Packaging in the US, where there was intense competition in polyethylene packaging for the bakery market. The US packaging contribution fell from £3.5m to £921,000.

Mr Bas Kardol, Bibby's chairman, said he was disappointed by the first-half performance but he expected an improvement in the second half through a combination of new activities and growth in the science products, materials handling and paper divisions.

The company also announced that it had agreed to buy Wiggins Teape's industrial papers business for £4.5m in cash, in line with its policy of adding to its speciality paper range.

## Merrett profits almost trebled to £5.3m

Helped by a return to "more acceptable levels" of a profit commission Merrett Holdings, Lloyd's underwriting group, reported pre-tax profits almost trebled in 1986.

On turnover up from £3.61m to £7.72m profits were £5.31m (£1.81m). After tax of £2.77m (£910,000) and minorities earnings per share came out at 12.7p against 4.48p. The directors are proposing a single final payment of 3.5p (3p).

Mr Stephen Merrett, chairman, said that during the year the company had begun a strategy of diversification into insurance-related areas. Acquisitions in loss adjusting and insurance had been made during the year.

The chairman added that the company intended to seek a listing in the early summer of next year. At the moment the shares are traded on the over-the-counter market.

### Cakebread Robey

Cakebread Robey & Co, builders' and timber merchant, increased its pre-tax profits from £638,000 to £809,000 in 1986. The final dividend is up from 2.5p to 3p for an increased total of 3.8p net compared with 3.3p. Stated earnings per 10p share improved from 6.3p to 8.5p.

Group turnover was marginally ahead at £22.61m against £22.3m. Tax for the year was up from £263,000 to £301,000, leaving attributable profits of £508,000 (£375,000). Last time, there was an extraordinary debit of £27,000.

# UK COMPANY NEWS

## Holmes & Marchant rises 43%

Holmes & Marchant, the marketing consultancy, boosted pre-tax profits by more than 43 per cent on turnover up more than 23 per cent in the six months to March 31 1987.

Profits rose from a restated £883,000 to £1.27m on turnover ahead from £6.63m to £8.17m. The interim dividend is 1.75p (1.25p) and earnings per share 8.3p (5.5p).

Mr John Holmes, group chief executive, said that the group's current level of activity and the buoyant marketing sector leant confidence for further growth in the second half.

The Biggs Communications Group, which was acquired in December last year, made a satisfactory contribution to profits and was on course to meet its target for the year. Its results have been included on a merger accounting basis.

During the six months, Holmes and Marchant Graphics and Holmes and Marchant Corporate Design moved premises, which had resulted in a lower-than-expected profits contribution from both companies. However, current trading indicated a satisfactory outcome for the second half.

## Growth and efficiency push Fine Art to £15m

BY ALICE RAWSTHORN

Fine Art Developments, the Staffordshire based greeting cards publisher and distributor, yesterday announced a 54 per cent increase in pre-tax profits to £15.54m for its year ended March 31, 1987, when turnover rose by 14.2 per cent to £161.1m.

The company's share price rose by 18p to 295p on the announcement ofthe result, which reflected growth in every aron of operation and improvements in operating efficiency. It is now intent on securing further growth both organically and by acquisition.

Fine Art has now completed a large part of its rationalisation programme which has involved cutting costs and modernising the manufacturing base.

It is still in the throes of improving efficiency, but the benefits of rationalisation helped to hold the cost of goods sold to £91.76m (£83.12m) and of distribution and administration to £51.96m (£44.04m).

During the year the company's retail operation expanded rapidly. It now encompasses 50 shops, five more will open during the year. The product range was widened, with the introduction of hampers through a joint venture and crackers by acquisition. Both businesses are now faring well. The greetings card range benefited from improvements in design and packaging.

The company succeeded in reducing its interest charge to £2.11m (£3.81m). But tax rose to £4.62m (£2.8m) and the company has now exhausted its tax credits and from now onwards will pay at least the full rate of 35 per cent.

Earnings per share rose to 14.49p (9.76p) and the board proposes a final dividend of 4.0p making 5.5p (4.0p).

● **comment**

Fine Art Development's shares have raced ahead in the last year or so, fuelled by the City's confidence in its recovery. With this set of results the company shows the extent of that revival. The benefits of rationalisation have begun to filter through and the company promises more to come. Fortunately for Fine Art the public's appetite for kitsch greetings cards is unabated and the company is now intent on nurturing new areas of activity. The retail business, which has grown so speedily, has paused for breath. But Fine Art is eager to introduce new products through acquisition, and, having steered its Australian operation into the black, to move into the US. The City expects profits of £21m this year leaving the shares, on a prospective p/e of 16, with a little further to go.

## Dencora calls for £8m and seeks full listing

Dencora, the USM-quoted property investment and development group, is raising £8m through a rights issue and applying for a full market listing from June 1. The funds raised will be used mainly to finance expansion and cut bank borrowings.

The company is offering up to 8.44m of 6.25 per cent convertible preference shares at £1 each for every two 25p ordinary shares.

The directors said that a full listing would increase the marketability of its ordinary shares while generating active demand for its new preference stock.

Dencora recorded pre-tax profits up 73 per cent from £1.05m to £1.82m on turnover of £15.78m (£13.16m) in 1986 and the directors expect continued significant growth.

Mr John Laurence, chairman, and two other directors whose aggregate holdings amount to 36,333 ordinary shares, will be taking up their full rights entitlement. Mr Colin Holmes and Mr Richard Youngs, joint managing directors, who together hold 9.35m ordinary shares—representing 55 per cent of the issued capital—are not taking up their entitlement and these shares would be placed by Phillips & Drew, probably on June 17.

## Top Value's record year

BY STEPHEN BUTLER

Top Value Industries, the garment manufacturing company, yesterday announced a record pre-tax profit for 1986 of £915,558, compared to £445,683 in the previous year.

The improved results are in part a consequence of the acquisition last year of David Conrad (Sales), the leather garments supplier, and a phasing out of its Arthur Henriques division. Pre-tax profit at David Conrad amounted to £1.15m.

Turnover declined slightly, from £11.1m in 1985, to £10.5m last year.

Lord Barnett, chairman, said sales of leather garments this year were running substantially ahead of last year, and that profits were expected to continue rising.

The group took an extraordinary provision of £597,475 against the book value of plant, machinery and other assets within the Arthur Henriques division, which is being discontinued.

The net assets of the group however increased from £850,000 to £1.7m, and the group had a healthy cash flow with a bank balance of close to £2m.

Earnings per share came to 9.15p (4.47p), and the directors have recomemnded a dividend of 2.5p (nil) subject to shareholders approval. Operating profit was boosted by interest receivable of £94,349 (£24,679), while interest payable rose to £63,576 (£44,206). Administrative expenses were slashed to £660,996 from £1.0m.

## Outlook good at United Newspapers

Lord Stevens, chairman of United Newspapers, told shareholders at the annual meeting in London that the current trading position was extremely satisfactory.

He said the group was seeing a particularly commendable performance from the regional newspapers where the revenues from both circulation and advertising were showing significant gains.

Strong competition in certain sectors had put pressure on the Morgan Grampian profit margins, but all other UK divisions had performed well, particularly the national newspaper titles.

"The outlook for the rest of this year is good, and I continue to view it with confidence," he said.

Commenting on United's bid for Extel, Lord Stevens said the board believed that United's shareholders would benefit from membership of an enlarged information and publishing group, embracing substantial interests on both sides of the Atlantic.

## Rock goes into the red with £0.6m losses

Rock, engineers' consumable supplies group, plunged into the red in 1986 with a pre-tax loss of £553,275 against a previous profit of £136,157, despite an increase from £8.17m to £8.16 in turnover.

Dockery, said that the £648,000 turnround in the second six months—the first half showed a profit of £95,000—was due to a lot of problems with creditors ledgers and substantial provisions made against slow moving stocks in the small tools division.

Loss per share was 2.6p (earnings of 0.8p); there is no dividend, but net asset value per 10p ordinary has risen from 6.8p to 9.8p at the year end.

## Yearlings up 1/16%

The interest rate for this week's issue of local authority bonds is 9 per cent, up $\frac{1}{16}$ of a percentage point from last week, compares with $9\frac{11}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on May 25 1988.

A full list of issues will be published in tomorrow's edition.

## Harvey & Thompson cash call

Harvey & Thompson, USM-quoted pawnbroker, proposes to raise approximately £1.63m net by way of the issue of 467,880 new ordinary shares. These shares have been conditionally placed with institutions but, under the terms of an open offer by Alexanders Laing & Cruickshank, on behalf of Harvey & Thompson, will be made available to existing shareholders.

The board and the company's advisers believe that the company should raise further equity capital. The directors have further resolved to seek admission of the whole of its issued share capital to the Official List.

During the last four years, the group has enjoyed a considerable increase in pre-tax profits and earnings per share, achieved by a growth in existing lending business, the establishment of new branches and by acquisitions. Most of these acquisitions have been funded internally.

The new ordinary will be offered to shareholders at 375p per share on the basis of one new ordinary for every eight held on May 14 1987.

Harvey & Thompson's dividend forecast for the 52 weeks to June 27 1987 will be a recommended final of not less than 6p. Total dividends for the year would thus be increased from 6p to not less than 8.5p net.

## BOARD MEETINGS

**TODAY**

Interims—Acatos and Hutcheson, Avon Rubber, Bass, Baggeridge Brick, Cramphorn, Int. Thomson Org., Irish Distillers, Leeds Group, PWS Holdings, RHP, Ranks Hovis McDougall.

Finals—Allied Irish Bank, Sialchi Tin, Coloroll, Hartwell, Heath (C. E.), Parkland Textile, River and Mercantile Geared Capital and Income Trust, TR Prop. Inv. Trust, Tunstall, Unitycorp Trust, Whitbread and Co.

**FUTURE DATES**

Interims—

| | |
|---|---|
| Albion | May 28 |
| Assoc. Fisheries | May 28 |
| Cranbrook Electronic Hldgs. | May 28 |
| Dundee and London Trust | June 16 |
| JSB Electrical | May 28 |
| MEPC | June 3 |
| Mezzanine Cap & Inc Tst 2001 | May 28 |
| Scottish Inv. Trust | May 29 |
| TSB Channel Islands | May 26 |
| Telecomputing | June 3 |
| Williamson Tea Hldgs. | May 28 |

Finals—

| | |
|---|---|
| British Benzol | June 9 |
| Cape Inds. | June 16 |
| Deelkraal | June 9 |
| Doornfontein | June 9 |
| Driefontein | June 9 |
| Elliot (B.) | May 27 |
| IBL | June 1 |
| Kloof | June 9 |
| Libanon | June 8 |
| Pilkington Bros. | June 10 |
| Plessey | May 28 |
| Powell Duffryn | June 1 |
| Property Partnerships | June 12 |
| Smallbone | May 28 |
| Underwoods | May 21 |
| Venterspost | June 9 |
| Vlakfontein | June 9 |
| Whittington Engineering Co. | May 22 |



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# UK COMPANY NEWS

## Yorkshire TV advances to over £7m at midway

REPORTING a 29 per cent increase in first-half profit, the directors of Yorkshire Television Holdings also said that the current six months had started well and that they were confident of a satisfactory result for the year.

In the six months ended March 31 1987 turnover rose 13 per cent to £61.94m (£54.83m) and the pre-tax profit came to £7.12m (£5.5m). Exchequer levy cost £3.42m (£2.76m).

Sir Derek Palmar, the chairman, said the principal reason for the growth was an increase in advertising revenue, supoprted by an improved profit on programme sales and by higher interest receivable on surplus cash balances.

Advertising sales rose by 15 per cent compared with an industry growth of 12 per cent, he said. That gave the group a share of network revenue of 9.1 per cent, compared to 8.9 per cent in the 1986 period.

The chairman pointed out that the higher profit was achieved despite timing differences relating to production costs and programme transmissions. These adversely affected the increase in profit but were expected to have a beneficial effect on the increase of the second half.

After tax of £2.82m (£2.23m) the first half earnings worked through at 12.93p (9.92p) per share. The interim dividend is to be 3p net — the company went public last August and for 1985-86 paid a final dividend of 4p; profit for the year was £8.9m.

**● comment**

In love with a perfect market would be a suitable tiitle for a drama covering Yorkshire Television's post-flotation history. In seven months the shares have raced up from 125p (and a prospective p/e of 8½) to peak at 375p (17 times 1987 forecasts) in March. Some of this exuberance has to be due to the underpricing of the issue; some to the narrow market in the stock; and again some to the booming market for television advertising However, while Yorkshire is running ahead of the network and gaining revenue share it is doing so only by a modest margin— hardly enough to justify an earnings multiple so far out of kilter with its compartiots in the world of the ITV contractors. Ideally the strong cash generation and solidity of the company ought to be a base from which to launch out but diversification into the unknown has been disaistrous elsewhere and any move into the known would be heavily circumscribed by the IBA. This year £12m is being looked for which puts the sharese at 340p on a forward looking multiple of 15½, which still reflects a bit too much post-flotation enthusiasm.

## Audio Fidelity at £160,436

Audio Fidelity, hi-fidelity sound equipment manufacturer, announced interim pre-tax profits of £160,436, compared with £170,128 for the eight months to December 31 1985, together with details of its £2m acquisition of Fanfare Group, which makes leisure and gift-related products.

Audio's turnover fell from £3.29m to £2.7m, and after tax of £44,500 (£48,000), earnings per share were 4.26p (4.49p). The wholesale, retail and loudspeaker manufacturing activities performed better, and directors said prospects for the second half were encouraging.

The initial consideration for Fanfare will be satisfied with the issue of 729,730 Audio shares. Audio will acquire Fanfare's preference shares for up to £1.38m in ordinary Audio shares, dependent on Fanfare's pre-tax profits to June 30 1987.

Its products include book and album/tape combinations such as Arlene Phillips' Keep in Shape System and the X-Changer, a calculator for exchange rate conversions.

In the 13 months to end-June 1986, Fanfare had a turnover of £1.13m, and pre-tax losses of £33,000 after development costs of £135,000.

Management accounts show increases in turnover for both the publishing and electronics division for the half year to December 31 1986 and the company's directors are confident of a successful year.

## Brooke Tool margins under pressure

Brooke Tool Engineering (Holdings) increased its pre-tax profit from £577,000 to £655,000 in the six months to March 31 1987 despite sustained pressure on margins—pre-tax to sales they were down from 9.2 to 8 per cent—and reorganisation costs.

Mr Fane Vernon, the chairman, said that the group had absorbed significant costs during the period integrating Edgar Allen Tools and Moore Manufacturing following their acquisition in November 1986. Those costs had been incurred in the reorganisation of the engineers' cutting tool division, with the result that each manufacturing unit was now dedicated to specific product lines.

The group was pursuing its active acquisition policy and continued to invest in plant, machinery and development. It was anticipated that the West German distribution centre would be opened later in the year.

There was a 30 per cent increase from £6.28m to £8.16m in turnover for the first six months, gross profits rose 26 per cent to £2.04m (£1.62m), and distibution costs amounted to £622,000 (£490,000). Administration expenses were £697,000 (£467,000) leaving operating profits of £721,000 (£661,000). Interest charged was £66,000 (£84,000).

Tax took £221,000 (£221,000). Earnings per share were unchanged at 1.5p but the interim dividend is up a little at 0.675p (0.625p) per share.

## McCarthy & Stone still expanding in 51% midway rise

GROWTH HAS continued apace at McCarthy & Stone, which builds and markets sheltered accommodation. In the six months ended February 28, 1987, the pre-tax profit rose 51 per cent, from £5m to £7.58m.

The group sold 839 sheltered apartments (670). The market in the UK remained strong, while progress in Southern France and Eire was satisfactory. The group also invests in nursing homes. Turnover in the half year grew by nearly 47 per cent, from £23.79m to £34.92m.

The directors said the interest shown in the group's services in the first two months of the current half year exceeded last year's record levels. They looked for another successful year.

Earnings for the first half worked through at 9.82p (7.46p) basic and 9.23p (7.1p) fully diluted. The interim dividend is raised to 0.95p net (0.82p).

Tax charged was £2.65m (£1.85m) and minorities were £25,000 (nil).

**● comment**

McCarthy and Stone was in confident mood yesterday, unveiling plans for ranges of first retirement homes for the younger pensioner, up-market cottages and luxury apartments for the better-off granny or grandad, and retirement villages with extensive leisure facilities. These inroads into less well exploited areas of the retirement market appear not just desirable but necessary if the pace of growth is to be maintained, for McCarthy's gross margins have slipped by nearly 2 percentage points from last year's enviable 29.5 per cent as competition for sites has intensified at the more popular end of the market. Brokers have not ben deterred from their forecasts of around £25m for the full year, but the shares have had a strong run since the beginning of 1987. At 448p, thev look set for a breather on their prospective p/e multiole of 15, even if the £100bn NatWest multi-option facility has staved off another call on shareholders for a while.

## Tomkinsons profits near doubled in first half

Tomkinsons, the Worcestershire-based carpet manufacturer yesterday reported a substantial rise in profits for the six months to March 28 1987. The pre-tax figure of £1.43m almost doubles the £753,000 for the corresponding period and compares with £1.86m for the whole of 1985-86, which was a record.

Mr Lowry Maclean, chairman and chief executive, said that the increase in pre-tax profits was substantially in excess of the compound growth rate for the past five years and "bodes well for the full year." Progress had been achieved in spite of currency movements which made favourable raw material prices difficult to obtain.

Trading margins showed further improvement, up from 8 per cent to 12.1 per cent of turnover. Turnover for the period improved from £9.7m to £11.33m and trading profits from £771,000 to £1.38m. Interest received amounted to £53,000 (18,000 payable) and tax took £500,000 (£301,000) leaving attributable profits of £928,000 (£452,000).

Earnings per share more than doubled from 7.7p to 15.7p and the interim dividend is raised from 1.25p to 2p per 25p ordinary.

## DSC raises £2.6m

DSC Holdings, an investment holding company, is to raise £2.6m net by the issue of 4.58m new 10p ordinary at 58p each. Existing shareholders will be offered 765,002 of the new shares by way of rights at the same price of 58p on a one-for-four basis.

Following the transaction, the new main shareholder will be Leopard Investments with a 39.3 per cent stake. Mr Ronald Price is joining the board as managing director, and Mr Andrew Crichton as a non-executive director.

They will represent associates who will control just under 50 per cent of the enlarged group. Mr Crichton beneficially owns and controls Leopard Investments.

# COMMODITIES AND AGRICULTURE

## Refco in membership dispute with LME

THE London Metal Exchange has become involved in a potentially-embarrassing dispute with Refco, the Chicago company which is one of the world's largest commodity traders, over Refco's attempt to join the exchange, writes *Stefan Wagstyl*.

The exchange's Board and committee ... has ... rejected Refco's application for trading membership even though Refco is an associate member already.

Refco applied for membership because it is planning to take over the LME trading activities of Wilson, Smithett & Cope, an active exchange member.

The exchange gave no reason for rejecting Refco, which intends to reapply. However, it is understood that Board and committee members, who took their decision at the end of April, were concerned about two metals traders, Mr Chris Smith, a leading trader at Wilson Smithett, and Mr Bill Boyes, who worked as a consultant for Refco Overseas, Refco's London subsidiary, but no longer does.

The two were sharply *criticised by a High Court* judge earlier this year for their alleged roles in a metals trading case.

Mr Justice Hobhouse ordered ACLI Metals (London), a US-owned trading company which is appealing against the decision, to pay £50m damages to Swiss-based Metall and Rohstoff, part of Associated Metals and Minerals Corporation. Metall was defrauded by its chief aluminium trader, Mr Rainer Glaser, said the judge. Mr Smith and Mr Boyes worked at the time for ACLI.

Of Mr Smith, the judge said: "I consider that he was throughout involved in the dishonesties that took place in the dealing and he was essentially dishonest as a witness because he pretended not to know what was going on."

Regarding Mr Boyes, the judge said "the inference must be drawn that he was willing to act dishonestly at the material times in 1982 and 1983."

Mr Frank Johnston, managing director of Refco Overseas, said Refco was considering how and when to reapply.

It is understood that some LME traders are concerned that the exchange has treated such a large company rather "abruptly" instead of possibly looking for a compromise. But others argue that the exchange cannot afford to fudge awkward decisions at a time when the Government is tightening regulatory control of financial markets and the City has been hit by several scandals.

## Communist block gold sales soar

By Stefan Wagstyl

SALES OF GOLD from the Communist bloc to the West almost doubled last year to 402 tonnes, with higher exports from both the Soviet Union and China, according to a report from Consolidated Gold Fields.

Soviet sales rose 50 per cent to the highest level since the 1970s, reflecting the country's need to compensate for falling revenues from oil and gas exports *caused by lower world* prices, says the group in its annual review of the market.

China was also a substantial seller, with the Bank of China selling metal from reserves to earn foreign exchange and smugglers taking bullion to Hong Kong. Gold Fields does not estimate each country's sales separately, but other *analysts say Soviet sales were* about 300 to 350 tonnes.

Mr George Milling-Stanley, the report's author, said Soviet sales this year would probably be at a similar level to 1986. But there were no signs yet of a repetition of Chinese sales.

Gold Fields says there was a substantial shift in mood in the developed world in favour of gold investment. "The growing perception that gold has a role to play as a form of insurance against all kinds of financial and political cataclysms, not merely inflation, seems certain to encourage investment demand."

The total supply of gold rose 20 per cent last year to 1,967 tonnes, thanks to Communist sales and rising mine output outside South Africa and scrap sales, stimulated by higher prices.

*Fabrication demand* rose 14 per cent to 1,666 tonnes, due mainly to purchases from Japan which bought 650 tonnes of gold last year—including 182 tonnes used in the Hirohito anniversary coin.

Investors outside Europe and North America, mainly Japanese, bought 220 tonnes (310 tonnes last year) of gold in bars. European and North American investors took up 81 tonnes, compared with disposals of 170 tonnes in 1985.

Jewellery makers' purchases rose slightly to 1,097 tonnes, as increases in the *industrialised* world were largely offset by falls elsewhere, especially the Middle East.

*Gold 1987, Consolidated Gold Fields, 31, Charles II St, London SW1Y 4AG.*

NON-COMMUNIST WORLD GOLD MINE PRODUCTION (tonnes)

| | 1986 | 1980 |
|---|---|---|
| South Africa | 640.0 | 675.1 |
| US | 108.0 | 30.5 |
| Canada | 107.5 | 51.6 |
| Australia | 75.0 | 17.0 |
| Brazil | 67.4 | 35.0 |
| Others | 28.9 | 149.8 |
| Total | 1,280.8 | 959.0 |

*Source: Consolidated Gold Fields*

## Protests expected over EC plan to limit tuna support

BY TIM DICKSON

FRENCH and Spanish fishermen are likely to feel the strongest ripples in the Community from a tough proposal from the Commission to limit EC tune price support. Opposition from Paris and Madrid, whose tuna fleets are comfortably the largest in the Community, seems almost certain when the issue crops up for preliminary discussion next month *in a special working group in* Brussels.

The plans for the tuna regime are part of a long-awaited reorganisation of EC fisheries support mechanisms prompted by last year's entry of Spain and Portugal into the EC. Unlike most agricultural policies, which involve Brussels in ever larger outlays as surpluses arise, the Common Fisheries Policy is largely "degressive" in that the level of support tapers off as excess production rises. The total cost to the Community budget this year of price support unde rthe Common Fisheries Policy (CFP) is estimated at between Ecu 40m and Ecu 50m.

3 The main purpose of the Commission proposal is to add to the regime species which are commonly caught by the Mediterranean countries' fleets. These include lemon sole, skate, mullet, blue whiting and horse mackerel. As with the existing products, however, Community aid will be self-limiting when producer organisations take advantage of the facilities to "withdraw" fish from the market. *Compensation is only* paid under certain conditions, notably where their sales have been at a price equal to or above the Community's so-called "withdrawal" price, a yardstick derived from a separate target price. The decline in aid as quantities increase provides a measure of what is known in Euro-jargon as "co-responsibility."

The only exception to this rule, however, has been the open-ended—and therefore potentially expensive—support mechanism for tuna. Much to the Commission's embarrassment this was triggered last year when the world price for this species—denominated in declining dollars—fell below the relevant Community trigger involving higher than usual payments. The tuna proposal is highly technical but is effectively designed to close what Brussels considers an unjustified loophole. With the EC now able to supply 60 per cent of its own tuna demand, against only 30 per cent before Spain and Portugal joined, the need for such action has become more urgent.

The size of the compensation paid to French tuna fishermen by the Community is currently the subject of an action by the French Government in the European Court.

## Exporters snap up Brazilian coffee

BY ANN CHARTERS IN SAO PAULO

BRAZILIAN COFFEE export registrations for June closed on Monday, just eight hours after they opened with a new daily record of 2.5m bags having been registered. Despite a new registration price formula which raised prices by 5 per cent for arabica coffee, "displeasing" exporters, demand was high for June exports.

Although the Brazilian Coffee Institute (IBC) had intended to open the registrations without limits, the volume nearly reached Brazil's maximum operational capacity for physical exports.

Mr Jose Rodrigues of the IBC, said that Brazil's ports, working at maximum capacity, could ship 3m bags of coffee monthly, but that for June, registered exports were held to 2.5m bags because some May shipments would spill over.

For export pricing, the price calculation is still based on the average o fthe previous five days' prices in New York and London exchanges as before, except that now the average price is multiplied by 1.05. The increase is to recognise the value of fine coffees internationally and to reflect the upward trend in international prices.

On onday, the June registration price for arabica for shipment from Santos port was $1.0613 per pound, too high, expotrers claimed, in relation to international prices, which would suggest a price closer to $1.01 per pound.

Many exports that closed contracts early in anticipation of the lightning opening and closing of IBC June registrations were caught with prices below the new official price.

## Saudis to resist pressure for oil price rise

BY RICHARD JOHNS

SAUDI ARABIA yesterday came out firmly against expected pressures from some members of the Organisation of Petroleum Exporting Countries to raise oil prices at the group's next conference scheduled to begin on June 25 in Vienna.

King Fahd said that they should be "stabilised at a specific level for at least two years," in what may prove to be a major Saudi policy statement.

He did not mention a figure but the implication of his remarks was that the Riyadh *wants a continuation of the* rates set around a central reference of $18 per barrel decided upon at Saudi insistence by the Organisation of Petroleum Exporting Countries last December.

His remarks made in an interview with the Kuwaiti newspaper Al Seyasah, preceded a meeting of oil Ministers of the Gulf Co-operation Council today in Jeddah.

King Fahd predicted that any sharp rise in prices would leave producers facing the same problems generated by the escalation in the 1970s which prompted consumers to seek cheaper alternative energy. He also said that prices should be stabilised not only in "the interests of the industrialised countries but in favour of the third world countries whose *budgets should not be affected* by oil bills." The basic strategy of Saudi Arabia and Kuwait is to maintain prices at a level which will increase demand for Opec oil in the longterm.

## Japan's fuel demand growth seen slowing

By Maurice Samuelson

JAPAN'S DEMAND for gas and coal as power station fuel will rise substantially over the next 15 years, although electricity demand will rise far more slowly than expected by the country's planners, says a new report on the country's energy prospects.

The report, Japanese Power Station Fuel Demand to 2000, says the slow-down in the growth of the electricity market reflects the restructuring of the economy as light service industries expand while heavy, energy-thirsty, sectors contract.

*Japanese Power Station Fuel Demand to 2000, by Steve Thomas and Chris Cragg; FT Business Information, Tower House, Southampton St, London WC2E 7HA. 219pp; price £1,000 (£750 before June 16).*

## Israel makes citrus comeback

BY JUDITH MALTZ IN TEL AVIV

ISRAEL'S 100-year-old citrus industry appears to be enjoying a new lease of life, thanks not so much to a recovery in sales of its world famous "Jaffa" oranges, but to the export success of a host of newly developed varieties.

The state-run Citrus Marketing Board's results for the current season, now ending, show a 16 per cent increase in export earnings close to $200m, and a similar jump in total sales to $335m. Overseas citrus sales peaked five years ago at $247m.

Understandably pleased with this turnaround in the long-depressed sector, Mr Reuvan *Eiland, chairman of the Citrus* Board, last week summarised developments in the closing season: "We had a good year—a good crop and good earnings."

Compared with three years ago, when overseas sales had fallen to $113m, citrus—the pioneer of Israeli exports—has indeed made a significant comeback.

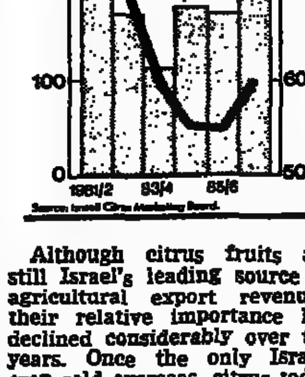
*Israeli farmers* are almost wholly dependent on Western Europe for their exports, while their prices are calculated in dollars. So they were hit hard by the dollar's strength in the early 1980s.

The blow was cushioned somewhat as a result of a frost in 1984-85 in Spain, always Israel's chief citrus competitor in the European market. But, according to Mr Eiland, Israeli citrus earnings only really began to pick up last year, thanks largely to favourable changes in world currencies.

The weak dollar, however, was not the only factor Israeli citrus fruits had working in their favour during this past season, Mr Eiland insists. The enthusiasm generated in Western Europe by trial *exports of more exotic varieties* and offshoots of the standard orange and grapefruit have also helped.

Until barely two years ago, Israel's citrus export basket consisted of only four types of fruit: oval shaped Shamonti oranges, Valencia oranges, white grapefruits, and lemons. This season, the country exported 23 different brands of citrus, with easy-peeler mandarin oranges, red "Sunrise" grapefruits, extra-sweet "Sweetie" grapefruits, and giant Pomelos making particular inroads.

The new varieties currently account for just over 10 per cent of the country's citrus exports, but recognising their potential, the Citrus Marketing Board has set as a key objective in its long-term programme, an increase in their share to one third.




Although citrus fruits are still Israel's leading source of agricultural export revenues, their relative importance has declined considerably over the years. Once the only Israeli crop sold overseas, citrus today accounts for only 40 per cent of the country's total export earnings derived from fresh farm produce.

At the same time, the entry of other Mediterranean countries into the EC has resulted in a serious erosion of Israel's traditional share of the European market. After having controlled about one third of this all-important market 10 years ago, Israel is now struggling to hold on to barely 20 per cent.

The country's citrus exports have suffered most in those countries adjacent to Spain and Portugal, where Israel is constrained by a natural geographical disadvantage, but they substantially maintained their strength in the more distant markets of northern Europe.

Mr Eiland claims that the biggest obstacles confronting Israel today in the EC is not duties of quotas, but reference prices. Protesting against this form of "discrimination," he asserts: "We were willing to accept this measure when it was meant to prevent dumping, but not when it is used to protect EC members from third parties, as it is today." Extended negotiations on the matter have, in fact, been holding up the signing of a new agricultural agreement between Israel and the EEC.

Increasingly aware of the limits of the European market and the need to explore new options, Israeli citrus growers have recently been eyeing new markets in the Far East and North America. Mr Eiland says initial trial shipments to Japan, Singapore, Australia, and Canada have been "encouraging."

## LONDON MARKETS

COFFEE values fell back sharply on the London futures market yesterday, with the July position ending £41.50 down at £1,268.50 a tonne. Traders said London had "tracked" the bear move in New York, which had started on Monday and continued yesterday as speculators appeared to give up hopes that a recent bull move would be resumed. Record export registrations in Brazil on Monday were not thought to have been particularly bearish, dealers said, as the 2.5m bags (60 kilos each) registered would not hit the market all at once. Roaster demand and producer offers remained quiet, they added. Meanwhile cocoa values dipped to 12-month lows before steadying in late trading. Dealers attributed the fall, which left the July futures position £18 down at £1,268.50 a tonne, to "disappointed long liquidation," following the quiet start on Monday the International Cocoa Organisation (ICCO) buffer stock support buying. Yesterday's fall will take the ICCO 10-day average indicator price still closer to the "must-buy" trigger level of 1,600 special drawing rights a tonne, however. On Monday night it was calculated at 1,605.31 SDRs.

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 829-30 | −12.5 | — |
| 3 months | 833-3.5 | −12 | 836/829 |

Official closing (am): Cash 830-1 (843-4): three months 832.5-3 (847.5-8): settlement 831 (844). Final kerb close: 829-30. Turnover: 13,650 tonnes.

### COPPER

| Grade A | Unoffic'l close £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 906.5-7.5 | −15.5 | 908 |
| 3 months | 884.5-5 | −14 | 888/876 |

Official closing (am): Cash 907-8 (832-3): three months 885.5-7 (908-9): settlement 908 (833). Final kerb close: 880-1.

| Standard | | | |
|---|---|---|---|
| Cash | 864-6 | −15.5 | 866 |
| 3 months | 858-60 | −13.5 | 860 |

Official closing (am): Cash 886-7 (887-90): three months 860.5-1.5 (881-2): settlement 887 (890). US producer prices 71.5/75 cents per lb. Total turnover: 36,575 tonnes.

### LEAD

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 442-8 | +5 | 450/445 |
| 3 months | 386-7 | +4.25 | 389.5/389 |

Official closing (am): Cash 449-50 (445-8): three months 389-9.5 (386.5-8): settlement 450 (448). Final kerb close: 385-6. Turnover: 10,950 tonnes. US spot: 24/27 cents per lb.

### NICKEL

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 2695-2705 | +30 | 2725/2670 |
| 3 months | 2703-4 | +21 | 2725/2685 |

Official closing (am): Cash 2670-5 (2670-80): three months 2685-6 (2675-9): settlement 2675 (2680). Final kerb close: 2695-2700. Turnover 2,274 tonnes.

### ZINC

| High grade | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 502-5 | −3 | 504 |
| 3 months | 497-8 | −3 | 504/495 |

Official closing (am): Cash 504-5 (505-6): three months 502-3 (500-1): settlement 505 (506). Final kerb close: 494-5. Turnover: 7,375 tonnes. *US Prime Western*: 41.5/46.75 cents per lb.

### TIN

KUALA LUMPUR TIN MARKET: Close 16.68 (16.67) ringgit per kg. Up 0.01 ringgit per kg.

### GOLD

Gold fell $4 a ounce from Monday's close in the London bullion market yesterday at $469¾-470¼. The metal opened at $471-471½ and traded between a high of $472¼-473¼ and a low of $468¾-469¾. Gold fell in New York on Monday and the weaker trend was continued in early trading in London. However the metal finished above the day's lows.

| GOLD BULLION (fine ounce) | May 19 | |
|---|---|---|
| Close | $469¾-470¼ | (£279¼-279¾) |
| Opening | $471-471½ | (£280½-281) |
| M'n'g fix | $471.35 | (£280.565) |
| Aft'n'n fix | $471.10 | (£279.950) |

| GOLD AND PLATINUM COINS | | |
|---|---|---|
| Am Eagle | $483-488 | (£287-290) |
| Mapleleaf | $483-486 | (£287-288¾) |
| Kr'g'r'nd | $473-476 | (£281-282¾) |
| ½ Krug | $246-249 | (£147¼-148) |
| ¼ Krug | $124-126 | (£73¾-74¼) |
| Angel | $480-485 | (£285¼-287) |
| 1/10 Angel | $47-52 | (£28-31) |
| New Sov. | $110½-111½ | (£65¾-66¼) |
| Old Sov. | $110½-112 | (£65¾-66½) |
| $20 Eagle | $500-550 | (£297-326¾) |
| Noble Plat | $637-647 | (£378½-384½) |

### SILVER

Silver was fixed 19.9p an ounce lower for spot delivery in the London bullion market yesterday at 540.55p. US cent equivalents of the fixing levels were: 906c, down 38.25c; three-month 924.25c, down 38.9c; six-month 940.55c, down 37.5c; and 12-month 974.8c, down 38.65c. The metal opened at 545-549p (915-920c) and closed 534-538p (898-903c).

| SILVER per troy oz | Bullion Fixing Price | + or − | L.M.E. p.m. Unoffic'l | + or − |
|---|---|---|---|---|
| Spot | 540.55p | +19.9 | 530p | +27.5 |
| 3 months | 551.60p | −20.7 | 541p | +27.5 |
| 6 months | 562.60p | +20.9 | — | — |
| 12 months | 583.55p | +20.5 | — | — |

Three months final kerb 539-43p.

LME—Turnover: 0 (4) lots of 10,000 oz.

### JUTE

JUTE—May/June C and F Dundee BTC $480, BWC $480, BTD $390, BWD $390; C and F Antwerp BTC $440, BWC $440, BWD $375, BTD $375.

### INDICES

REUTERS

| May 19 | May 18 | M'th ago | Year ago |
|---|---|---|---|
| 1631.1 | 1626.1 | — | 1764.5 |

(Base: September 18 1931 = 100)

DOW JONES

| Dow Jones | May 18 | May 15 | M'th ago | Year ago |
|---|---|---|---|---|
| Spot | 130.68 | 133.47 | — | 127.30 |
| Fut | 130.51 | 133.84 | — | 119.07 |

(Base: December 31 1931 = 100)

### MAIN PRICE CHANGES

| | May 19 1987 | + or − | Month ago |
|---|---|---|---|
| METALS | | | |
| Aluminium | | | |
| Free Market | $1500/1525 | −10 | $1435/1455 |
| Copper | | | |
| Cash Grade A | £907 | −15.5 | £915 |
| 3 months | £884.75 | −14 | £880.75 |
| Gold Troy oz. | $470 | −4 | $447.875 |
| Lead Cash | £444.5 | +3 | £346.5 |
| 3 months | £386.5 | +4.25 | £320.25 |
| Nickel | | | |
| Free Mkt. | 201/215c | −6 | 177/197c |
| Palladium oz | $151.25 | −2.75 | $142.25 |
| Platinum oz | $619.50 | −9.25 | $609.00 |
| Quicksilver† | $265/275 | ..... | $245/255 |
| Silver troy oz. | 540.55p | −19.9 | 478.70p |
| 3 months | 551.60p | −20.75 | 489.90p |
| Tin | | | |
| free Mkt. | £4000/120 | ..... | £4200/280 |
| Tungsten | $51.47 | +4.54 | $46.37 |
| Wolfram 22.0lb. | $50/55 | ..... | $50/55 |
| Zinc | £502.5 | −3 | £461.75 |
| 3 months | £497.5 | −3 | £461.25 |
| producers | $790/840 | ..... | $790 |
| OILS | | | |
| Coconut (Phil) | $410u | −5 | $410 |
| Palm Malayan | $345v | −12.5 | $350 |
| Seeds | | | |
| Copra (Phil) | $255u | ..... | $260 |
| Soyabean (U.S.) | $146 | −5 | $139 |
| GRAINS | | | |
| Barley Fut. Sept | £98.50 | +0.15 | £99.95 |
| Maize | £149.00 | ..... | £143.95 |
| Wheat Fut. July | £122.35 | +0.35 | £124.50 |
| No. 2 Hard Wint. | ‡ | | ‡ |
| OTHERS | | | |
| Cocoa Ft. July | £1268.5 | −11 | £1331.5 |
| Coffee Ft. July | £1331 | −41.5 | £1326.5 |
| Cotton A Ind.* | 76.55c | −0.25 | 67.85c |
| Gas Oil July | $153 | −1.5 | $144.75 |
| Rubber (kilo) | 63p | +0.5 | 62.25p |
| Sugar (raw) | $177z | −4.5 | $177.5 |
| Wooltops 64s | 481p kilo | ..... | 471p kilo |

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. w June-Aug. v July. u May-June. z June-July.

### COFFEE

Monday's gains were erased as the market opened £20-25 lower, reports Drexel Burnham Lambert. The lower call was due to a technically weak close in New York and overnight news that the IBC had closed its June registrations with approximately 2.5m bags being registered. Long liquidation depressed the market early in the day and was followed by trade selling and further declines in New York.

| COFFEE | Yesterday's close | + or − | Business Done |
|---|---|---|---|
| May | 1308-1315 | −41.0 | 1324-1305 |
| July | 1330-1332 | −41.5 | 1350-1325 |
| Sept | 1353-1354 | −31.0 | 1364-1345 |
| Nov. | 1367-1368 | −33.5 | 1380-1367 |
| Jan. | 1385-1389 | −27.5 | 1400-1385 |
| Mar. | 1400-1410 | −31.0 | 1420-1412 |
| May | 1430-1465 | −30.0 | 1440-1455 |

Sales: 3,108 (3,255) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for May 18: Comp daily 1979 113.67 (113.74); 15-day average 111.21 (110.97).

### COCOA

Futures eased slightly on the opening call and lost further ground during the day to trade at life of contract lows, finally closing £12 off the previous evening. Physical interest was not apparent with both producers and consumers withdrawn and even the secondhand market failing to show, reports Gill and Duffus.

| | Yesterday's close £ per tonne | + or − | Business done |
|---|---|---|---|
| May | 1248-1249 | −7.5 | 1255-1248 |
| July | 1268-1269 | −11.0 | 1277-1263 |
| Sept. | 1273-1274 | −16.0 | 1288-1272 |
| Dec. | 1301-1302 | −15.0 | 1316-1301 |
| March | 1328-1330 | −16.5 | 1342-1328 |
| May | 1348-1349 | −14.5 | 1360-1351 |
| July | 1367-1369 | −15.0 | 1375-1368 |

Sales: 3,123 (2,776) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for May 19: 1585.04 (1598.15); 10-day average for May 20: 1603.17 (1605.31).

### FREIGHT FUTURES

Overall the market gave a fairly weak performance with levels generally easier throughout the day. Talk of an easier Gulf/Japan fixture at $18.50 acted as a depressant but with no other physical news buyers stood at the sidelines awaiting developments, reports Clarkson Wolff.

| | Close | High/Low | Prev. |
|---|---|---|---|
| Dry Cargo | | | |
| July | 1025/1028 | 1030/1015 | 1030 |
| Oct. | 1025 | 1029/1017 | 1025 |
| Jan. | 1008 | 1018/1005 | 1015/1025 |
| Apr. | 1040/1045 | 1042.5 | 1045 |
| July | 900/950 | — | 870 |
| Oct. | 940 | 940 | — |
| Jan. | 950 | — | 900 |
| April | 1060 | — | 1070 |
| BFI. | 1194 | — | 1100 |

Turnover: 407 (180).

### GRAINS

LONDON GRAINS—Wheat: US hard winter 13½ per cent June 93.50, July 92.75, Aug 92.25. US no 2 soft red winter June/July 90.50, Aug 91.00. French 11½-12 per cent May 143.00. English feed fob Oct/Dec 108.25 paid east coast. May/June 123.50 seller. Sept 102.50/103.00 buyer/seller. Maize: US no 3 yellow/French transhipment east coast May 149.00. Barley: English feed fob July/Aug 99.00 seller. Aug 99.00/99.50 buyer/seller, Sept 101.00, Oct 104.00/105.00 buyer/seller.

| Mnth | WHEAT Yest'rdy's close | + or − | BARLEY Yest'rdy's close | + or − |
|---|---|---|---|---|
| May | 120.95 | +0.15 | 106.75 | −0.25 |
| July | 122.35 | +0.35 | — | — |
| Sep. | 101.20 | — | 98.30 | +0.15 |
| Nov. | 103.20 | −0.15 | 100.70 | +0.10 |
| Jan. | 105.90 | — | 103.10 | +0.15 |
| Mar. | 108.30 | — | 105.45 | +0.15 |
| May | 111.10 | −0.15 | 107.25 | +0.10 |

Business done—Wheat: May 121.10-0.80, July 122.50-2.40, Sept 101.35-1.20, Nov 103.50-330, Jan 106.05-5.90, Mar 108.45, May 111.35. Sales: 112 lots of 100 tonnes. Barley: May 106.25, Sept untraded, Nov 100.90-0.65, Jan 103.25-3.10, Mar 105.65-5.45, May untraded. Sales: 32 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed Barley: S. East 105.20, W. Mids 104.00, N. West 107.80. The UK monetary coefficient for the week beginning Monday May 25 (based on HGCA calculations using five days' exchange rates) is expected to be unchanged.

### MEAT

MEAT COMMISSION — Average Fatstock prices at representative markets. GB—Cattle 100.63p per kg lw (+2.76). GB—Sheep 208.64p per kg est dcw (−9.84). GB—Pigs 79.37p per kg lw (+2.71).

FUTURES — Live cattle: Nov 95.10, sales 3.

## US MARKETS

PRECIOUS METALS traded erratically for most of the session in light volume before short-covering emerged late in theday to push values on the gold, silver and platinum futures to the highs, reports Drexel Burnham Lambert. Copper tended to consolidate following Monday's action with short-covering steadying the market. Yesterday being the last trading day in June crude oil futures, long-liquidation in that contract coupled with local and fund selling touched off stays to depress the market in the face of scale-down trade buying. Commission house selling in cocoa futures was met by scale-down trade and industry buying which prompted local short-covering. Coffee futures rallied on short-covering. Sugar, initially steady on trade and commission house buying, fell to midrange as the trade turned seller. Forecasts of possible dry weather over the next few days coupled with rising cash premiums steadied maize and soyabean futures. Wheat futures gained some support from reports of possible interest by the Soviet Union.

### NEW YORK

ALUMINIUM 40,000 lbs. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 70.20 | 70.00 | 70.20 | 70.00 |
| June | 67.90 | 67.75 | — | — |
| July | 66.65 | 66.50 | 66.50 | 66.25 |
| Sept | 65.65 | 65.50 | — | — |
| Dec | 65.25 | 65.10 | 65.00 | 65.00 |
| Jan | 65.25 | 65.10 | — | — |
| March | 65.25 | 65.10 | — | — |
| May | 65.25 | 65.10 | — | — |

COCOA 10 tonnes, $/tonnes

| | Close | Prev | High | Low |
|---|---|---|---|---|
| July | 1974 | 1978 | 1976 | 1958 |
| Sept | 2000 | 2006 | 2004 | 1987 |
| Dec | 2036 | 2042 | 2042 | 2026 |
| March | 2072 | 2073 | 2074 | 2062 |
| May | 2098 | 2099 | — | — |
| July | 2121 | 2122 | — | — |
| Sept | 2146 | 2147 | — | — |

COFFEE "C" 37,500 lbs. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 122.08 | 126.05 | 124.50 | 121.05 |
| July | 124.60 | 123.54 | 124.75 | 121.80 |
| Sept | 124.30 | 123.18 | 124.50 | 121.85 |
| Dec | 125.25 | 124.50 | 125.25 | 123.00 |
| March | 126.50 | 125.94 | 126.50 | 124.60 |
| May | 125.50 | 125.00 | — | — |
| July | 126.13 | 125.13 | — | — |
| Sept | 126.75 | 124.50 | 129.00 | 129.00 |

COPPER 25,000 lbs. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 66.90 | 66.45 | 67.15 | 66.25 |
| June | 66.50 | 65.95 | — | — |
| July | 66.00 | 65.45 | 66.45 | 65.25 |
| Sept | 65.10 | 64.55 | 65.45 | 64.30 |
| Dec | 65.25 | 64.70 | 65.55 | 64.60 |
| Jan | 65.35 | 64.80 | — | — |
| March | 65.50 | 64.95 | 65.80 | 64.80 |
| May | 65.80 | 65.25 | 66.00 | 66.00 |
| July | 66.10 | 65.55 | 66.00 | 66.00 |
| Sept | 66.40 | 65.85 | — | — |

COTTON 50,000 lb. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| July | 70.44 | 69.82 | 70.60 | 69.30 |
| Oct | 70.00 | 69.85 | 70.00 | 69.30 |
| Dec | 69.37 | 69.07 | 69.45 | 69.40 |
| March | 69.95 | 69.60 | 70.00 | 69.20 |
| May | 70.33 | 70.27 | 70.40 | 69.77 |
| July | 70.88 | 70.40 | 71.00 | 70.35 |
| Oct | 69.25 | 67.80 | 69.00 | 69.00 |

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

| | Latest | Prev | High | Low |
|---|---|---|---|---|
| June | 19.90 | 19.88 | 20.01 | 19.62 |
| July | 19.31 | 19.29 | 19.35 | 18.71 |
| Aug | 19.00 | 19.09 | 19.06 | 18.92 |
| Sept | 18.85 | 18.85 | 18.88 | 18.80 |
| Oct | 18.78 | 18.77 | 18.80 | 18.68 |
| Nov | 18.75 | 18.72 | 18.77 | 18.61 |
| Dec | 18.73 | 18.68 | 18.75 | 18.60 |
| Jan | 18.80 | 18.64 | 18.70 | 18.58 |
| Feb | 18.69 | 18.60 | 18.60 | 18.60 |

GOLD 100 troy oz, $/troy oz

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 477.1 | 471.5 | 470.0 | 470.0 |
| June | 478.3 | 472.8 | 478.8 | 469.5 |
| July | 481.1 | 475.6 | 480.0 | 473.5 |
| Aug | 484.1 | 478.4 | 484.5 | 476.0 |
| Oct | 490.0 | 484.1 | 492.3 | 482.0 |
| Dec | 496.1 | 490.0 | 497.0 | 488.5 |
| Feb | 502.8 | 496.4 | 502.5 | 495.0 |
| April | 509.3 | 502.6 | 502.6 | 501.6 |
| June | 516.2 | 509.2 | 509.5 | 508.0 |
| Oct | 530.7 | 523.0 | — | — |
| Dec | 538.0 | 530.0 | 531.0 | 530.0 |
| Feb | 546.4 | 537.1 | — | — |

SPOT PRICES: Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 897.0 (937.0) cents per troy ounce. New York tin 318-22 (same) cents per pound.

HEATING OIL 42,000 US gallons, cents/US gallon

| | Latest | Prev | High | Low |
|---|---|---|---|---|
| June | 51.90 | 51.82 | 52.10 | 51.20 |
| July | 51.40 | 51.31 | 51.55 | 50.85 |
| Aug | 51.40 | 51.25 | 51.50 | 50.75 |
| Sept | 51.95 | 51.90 | 51.95 | 51.45 |
| Oct | 52.75 | 52.55 | 52.80 | 52.25 |
| Nov | 53.45 | 53.25 | 53.45 | 53.00 |
| Dec | 54.05 | 53.95 | 54.20 | 53.90 |

ORANGE JUICE 15,000 lbs. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| July | 130.90 | 129.80 | 131.30 | [illegible] |
| Sept | 127.80 | 126.55 | 127.90 | 126.60 |
| Nov | 126.35 | 126.00 | 126.40 | 125.75 |
| Jan | 125.95 | 125.65 | 126.00 | 125.55 |
| March | 125.95 | 125.65 | 126.00 | 126.00 |
| May | 125.95 | 125.65 | — | — |

PLATINUM 50 troy oz. $/troy oz

| | Close | Prev | High | Low |
|---|---|---|---|---|
| June | 627.0 | 621.4 | — | — |
| July | 628.0 | 622.4 | 629.0 | 616.2 |
| Oct | 636.0 | 629.4 | 636.0 | 624.0 |
| Jan | 642.5 | 636.9 | 639.0 | 632.0 |
| April | 650.0 | 644.4 | 647.0 | 641.0 |
| July | 657.7 | 651.9 | 653.0 | 652.0 |

SILVER 5,000 troy oz. cents/troy oz

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 933.5 | 904.6 | 920.0 | 920.0 |
| June | 936.0 | 907.0 | 912.0 | 898.0 |
| July | 942.0 | 913.0 | 946.0 | 895.0 |
| Sept | 953.5 | 924.5 | 956.0 | 905.0 |
| Dec | 973.5 | 944.0 | 976.0 | 930.0 |
| Jan | 981.0 | 951.0 | — | — |
| March | 995.5 | 963.5 | 966.0 | 960.0 |
| May | 1006.0 | 977.2 | 980.0 | 977.5 |
| July | 1022.6 | 991.2 | 1018.0 | 970.0 |

SUGAR WORLD "11" 112,000 lbs. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| July | 7.14 | 7.09 | 7.20 | 7.00 |
| Sept | 7.22 | 7.28 | 7.35 | 7.22 |
| Oct | 7.44 | 7.37 | 7.51 | 7.37 |
| Jan | 7.65 | 7.58 | — | — |
| March | 7.94 | 7.81 | 7.90 | 7.77 |
| May | 8.00 | 7.98 | 8.00 | 8.00 |
| July | 8.14 | 8.12 | 8.14 | 8.14 |
| Oct | 8.43 | 8.24 | 8.20 | 8.20 |

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| June | 66.92 | 66.65 | 67.60 | 66.55 |
| August | 61.50 | 61.92 | 62.30 | 61.40 |
| Oct | 61.32 | 61.47 | 61.85 | 61.10 |
| Dec | 62.50 | 62.72 | 62.85 | 62.15 |
| Feb | 62.57 | 62.75 | 62.90 | 62.35 |
| April | 63.75 | 63.95 | 63.95 | 63.50 |
| June | 63.10 | 63.50 | 63.60 | 63.10 |

LIVE HOGS 30,000 lb. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| June | 56.60 | 56.32 | 56.77 | 55.55 |
| July | 53.37 | 51.87 | 53.37 | 51.95 |
| August | 49.15 | 48.00 | 49.50 | 48.10 |
| Oct | 44.10 | 43.50 | 44.57 | 43.35 |
| Dec | 43.60 | 43.17 | 44.40 | 43.17 |
| Feb | 42.27 | 42.15 | 43.30 | 42.07 |
| April | 40.40 | 39.97 | 40.90 | 40.15 |
| June | 42.40 | 41.30 | 42.40 | 41.30 |
| July | 41.40 | 41.25 | 42.00 | 42.00 |

MAIZE 5,000 bu min. cents/56-lb bushel

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 181.4 | 180.0 | 183.0 | 180.0 |
| July | 185.6 | 185.6 | 188.4 | 185.0 |
| Sept | 190.0 | 189.6 | 191.4 | 189.0 |
| Dec | 195.2 | 197.4 | 198.0 | 195.0 |
| March | 202.2 | 203.6 | 204.2 | 201.4 |
| May | 204.0 | 206.0 | 206.4 | 204.0 |
| July | 205.0 | 207.0 | 208.0 | 205.0 |

PORK BELLIES 38,000 lb. cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 73.62 | 71.75 | 73.75 | 71.45 |
| July | 70.90 | 69.15 | 71.15 | 69.70 |
| August | 66.65 | 65.07 | 67.00 | 64.90 |
| Feb | 58.97 | 57.60 | 59.10 | 57.85 |
| March | 58.50 | 57.05 | 58.97 | 58.10 |
| May | 60.00 | 58.65 | 60.00 | — |

SOYABEANS 5,000 bu min, cents/60-lb bushel

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 549.4 | 542.4 | 552.4 | 542.0 |
| July | 554.4 | 551.0 | 560.0 | 549.0 |
| August | 558.6 | 556.6 | 565.0 | 554.0 |
| Sept | 560.2 | 556.6 | 567.4 | 555.0 |
| Nov | 566.4 | 560.0 | 575.4 | 562.0 |
| Jan | 576.2 | 578.4 | 583.4 | 573.0 |
| March | 585.4 | 585.0 | 592.0 | 582.0 |
| May | 592.0 | 595.4 | 600.0 | 589.0 |
| July | 595.0 | 595.0 | 601.0 | 590.0 |

SOYABEAN MEAL 100 tons, $/ton

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 169.0 | 165.0 | 172.0 | 164.0 |
| July | 165.2 | 164.5 | 169.0 | 161.5 |
| August | 164.2 | 164.2 | 166.5 | 164.5 |
| Sept | 168.0 | 168.0 | 170.5 | 167.0 |
| Oct | 169.2 | 169.7 | 172.2 | 168.5 |
| Dec | 171.7 | 172.0 | 174.0 | 170.0 |
| Jan | 173.4 | 173.7 | 175.0 | 172.0 |
| March | 178.0 | 178.0 | 176.0 | 173.0 |
| May | 179.5 | 178.0 | 179.0 | 180.0 |
| July | 179.5 | 178.5 | 179.0 | 180.0 |

SOYABEAN OIL 60,000 lb, cents/lb

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 16.56 | 16.25 | 16.62 | 16.30 |
| July | 16.78 | 16.45 | 16.90 | 16.38 |
| August | 17.00 | 16.65 | 17.08 | 16.65 |
| Sept | 17.20 | 16.87 | 17.28 | 16.87 |
| Oct | 17.38 | 17.05 | 17.47 | 17.10 |
| Dec | 17.75 | 17.35 | 17.80 | 17.40 |
| Jan | 17.80 | 17.45 | 17.87 | 17.65 |
| March | 18.10 | 17.75 | 18.10 | 17.95 |
| May | 18.50 | 18.15 | 18.40 | 18.60 |
| July | 18.50 | 18.15 | 18.40 | 18.60 |

WHEAT 5,000 bu min, cents/60 lb bushel

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 296.4 | 298.0 | 302.0 | 296.0 |
| July | 289.4 | 287.4 | 290.0 | 287.0 |
| Sept | 291.6 | 290.6 | 293.0 | 290.0 |
| Dec | 298.4 | 296.6 | 299.6 | 296.0 |
| March | 301.0 | 298.0 | 301.0 | 297.2 |
| May | 292.0 | 290.0 | 293.4 | 291.0 |

### POTATOES

The market was again very quiet. After an initial dip April recovered slowly during the day in very thin volume to close *marginally up, reports* Coley and Harper.

| Month | Yesterday's close £ per tonne | Previous close | Business done |
|---|---|---|---|
| Nov | 90.30 | 90.30 | 89.50 |
| Feb. | 100.50 | 100.50 | — |
| Apr. | 124.20 | 123.90 | 124.50-125.10 |
| May | 137.00 | 137.50 | — |

Sales: 287 (230) lots of 40 tonnes.

### SOYABEAN MEAL

Speculative and commercial selling, following Chicago's lead, caused prices to be depressed throughout the morning. Values improved late in the day in nervous trading but good volume, reports Muirpace.

| | Yesterd'ys close £ per tonne | + or − | Business done |
|---|---|---|---|
| June | 123.2-123.8 | −3.60 | — |
| August | 121.8-122.3 | −1.80 | 122.0-121.0 |
| October | 122.7-123.0 | −1.85 | 124.5-122.0 |
| Dec | 124.8-124.5 | −1.70 | 123.6-125.5 |
| Feb | 126.0-126.2 | −0.90 | 126.0-126.0 |
| April | 128.5-128.5 | −1.25 | — |
| June | 128.5-128.5 | −1.25 | — |

Sales: 462 (127) lots of 20 tonnes.

### SUGAR

LONDON DAILY PRICE—Raw sugar $177.00 (£106.50), down $4.50 (down £1.00) a tonne for June-July delivery. White sugar $191.50, down $5.00.

| No. 6 Contract | Yest'day's close $ per tonne | Previous close | Business done |
|---|---|---|---|
| Aug | 158.0-158.2 | 159.0-159.4 | 161.4-157.8 |
| Oct | 167.8-167.2 | 165.8-161.0 | 166.4-164.8 |
| Dec | 169.4-170.0 | 169.0-170.6 | 169.6-169.8 |
| Mar | 176.2-176.4 | 174.2-174.4 | 175.8-175.2 |
| May | 178.0-178.2 | 174.2-178.0 | — |
| Aug | 181.0-182.2 | 180.0-182.4 | — |
| Oct | 185.2-185.6 | 182.4-185.2 | — |

Sales: 1,339 (2,577) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £210.50 (£212.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for May 18: Daily price 6.88 (7.04): 15-day average 6.82 (6.81).

PARIS—(FFr per tonne): Aug 1145 value, Oct 1175/1178, Dec 1190/1203, March 1220/1230, May 1256/1269, Aug 1290/1310.

### OIL

Brent prices tumbled about 25c and closed at the lows of the day. June WTI opened 3c down on Nymex and traded 24c down at 1.30 pm EDT. The petroleum products market continued to be dominated by uncertainty but most traders saw the firmness being maintained—Petroleum Argus, London.

| | Latest | Change + or − |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—June | | |
| Arab Light | — | — |
| Arab Heavy | — | — |
| Dubai | 17.10-17.20* | −0.10 |
| Brent Blend | 18.70-18.80 | −0.25 |
| W.T.I. (1pm est) | 19.60-19.70 | −0.225 |
| Forcados (Nigeria) | — | — |
| Urals (cif NWE) | — | — |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 202-205 | — |
| Gas Oil | 152-154 | −2 |
| Heavy fuel Oil | 110-112 | +0.5 |
| Naphtha | 169-171 | −2 |

* July

Petroleum Argus estimates

### GAS OIL FUTURES

| Month | Yestrdy's close US$ per tonne | + or − | Business Done |
|---|---|---|---|
| June | 153.00 | −1.50 | 154.00-53.00 |
| July | 153.00 | −1.50 | 154.00-53.00 |
| Aug | 154.75 | −1.50 | 155.50-54.75 |
| Sept | 156.00 | −1.00 | 156.25-56.00 |
| Oct | 157.75 | −1.50 | — |

Turnover: 1,595 (1,071) lots of 100 tonnes.

### HEAVY FUEL OIL

| Month | Yesterday's close US $ per tonne | + or − | Business Done |
|---|---|---|---|
| June | 106.00 | −1.00 | 106.00 |
| July | 104.50 | −0.50 | 104.50-3.00 |

Turnover: 6 (10) lots of 100 tonnes.

### RUBBER

PHYSICALS — The London market opened steadier, attracted little interest throughout the day and closed steady, reports Lewis and Peat. Closing prices (buyers): Spot 63.00p (62.50p); June 62.75p (62.25p); July 62.25p (61.75p). Kuala Lumpur fob price (Malaysian/Singapore cents) per kg: RSS No 1 236.0 (235.0); SMR 20 203.0 (202.0).

FUTURES—Index 584, June 580-585, July 583-586, July/Sept 583-586. Sales: Nil.

# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

# Pound and dollar steady

THE DOLLAR showed little overall change in currency markets yesterday. Trading was confined to a narrow range because there was some uncertainty in the market over the possibility of higher US interest rates.

While economic fundamentals tended to suggest otherwise, speculators were unwilling to run short on dollars simply because of its increased attraction should the Fed decide to increase the discount rate from its current level of 5½ per cent. Today's meeing of the US Federal open market committee was watched with great expectation, despite the fact that there is no announcement after the meeting. However, dealers were looking for some movement in short-term Federal fund rates to try to establish whether the authorities were sanctioning a rise in interest rates. Most traders thought this unlikely, preferring to regard a rise in the discount rate as a last resort.

The dollar closed at DM 1.7780, unchanged from Monday and Y140.0 compared with Y139.95. Elsewhere, it finished at SFr 1.4580 from SFr 1.46 and FFr 5.9475 compared with FFr 5.9425.

On Bank of England figures, the dollar's exchange rate index rose from 99.9 to 100.0.

**STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. April average 1.6316. Exchange rate index 73.8 against 73.7 at the opening and 73.8 on Monday night.**

Sterling remained firm, underpinned by a better than expected PSBR figure of £1.77bn and a modest 0.4 per cent increase in UK unit labour costs.

Interest rates remained steady but there were still hopes of an early cut in base rates. A slight narrowing between the Labour and Conservative parties in the latest opinion poll appeared to have little effect. The pound closed at $1.6830 against $1.6840 on Monday and DM 2.9925 from DM 2.9950 and Y235.5 from Y235.75. Elsewhere it finished at SF 2.4550 from SFr 2.4575 and FFr 10.01 from FFr 10.0075.

**D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. April average 1.8112. Exchange rate index 147.4 against 143.0 six months ago.**

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.7827 compared with DM 1.7752 on Monday. The dollar closed at DM 1.7780 compared with DM 1.7775 on Monday. US housing starts were worse than expected and tended to add to the feeling that the dollar was heading lower.

**JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. April average 142.88. Exchange rate index 225.5 against 205.4 six months ago.**

Trading was quiet in Tokyo as the dollar traded nervously ahead of the US Federal Open Market Committee meeting. There was uncertainty over whether the US discount rate, currently at 5½ per cent, would be raised in an effort to support the dollar. However, some dealers suggested that the authorities would keep this as a measure of last resort, considering its damaging effect on an already sluggish economy.

The dollar closed at Y140.05 down from Y140.20 in New York while firmer than Monday's close in Tokyo of Y139.40.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu May 19 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.0285 | +1.34 | +0.66 | ±1.5344 |
| Danish Krone | 7.85212 | 7.81108 | −0.52 | −1.20 | ±1.6404 |
| German D-Mark | 2.05853 | 2.07686 | +0.89 | +0.21 | ±1.0981 |
| French Franc | 6.90403 | 6.93955 | +0.51 | −0.17 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.34088 | +0.92 | +0.24 | ±1.5012 |
| Irish Punt | 0.768411 | 0.775982 | +0.99 | +0.31 | ±1.6684 |
| Italian Lira | 1483.58 | 1505.59 | +1.48 | +1.28 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| May 19 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6820-1.6830 | 1.6815-1.6825 |
| 1 month | 0.18-0.17 pm | 0.17-0.15 pm |
| 3 months | 0.46-0.43 pm | 0.44-0.41 pm |
| 12 months | 1.08-0.95 pm | 1.00-0.94 pm |

Forward premiums and discounts apply to the U.S. dollar.

### STERLING INDEX

| | May 19 | Previous |
|---|---|---|
| 8.30 am | 73.7 | 73.7 |
| 9.00 am | 73.7 | 73.7 |
| 10.00 am | 73.7 | 73.6 |
| 11.00 am | 73.7 | 73.6 |
| Noon | 73.7 | 73.7 |
| 1.00 pm | 73.7 | 73.7 |
| 2.00 pm | 73.8 | 73.6 |
| 3.00 pm | 73.8 | 73.7 |
| 4.00 pm | 73.8 | 73.6 |

### POUND SPOT—FORWARD AGAINST THE POUND

| May 19 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6770-1.6838 | 1.6825-1.6835 | 0.19-0.16c pm | 1.25 | 0.45-0.40 pm | 1.01 |
| Canada | 2.2475-2.2577 | 2.2565-2.2575 | 0.14-0.04c pm | 0.48 | 0.12 pm-0.01 dis | 0.10 |
| Netherlands | 3.36¼-3.37¼ | 3.36¼-3.37¼ | 1⅛-¾c pm | 3.34 | 3-2⅞ pm | 3.34 |
| Belgium | 61.90-62.07 | 61.95-62.05 | 13-5c pm | 1.74 | 29-18 pm | 1.52 |
| Denmark | 11.23-11.27¼ | 11.24-11.25 | ⅛-2⅛ore dis | −1.40 | 3-4⅛ dis | −1.36 |
| Ireland | 1.1162-1.1201 | 1.1175-1.1185 | 0.15-0.24 p dis | −2.09 | 0.39-0.63 dis | 1.82 |
| W. Germany | 2.98⅛-2.99⅝ | 2.98⅞-2.99⅞ | 1⅛-1pf pm | 4.76 | 3⅞-3⅝ pm | 4.85 |
| Portugal | 232.10-233.77 | 232.75-233.70 | 127-170c dis | −7.64 | 357-445 dis | −7.64 |
| Spain | 209.30-209.89 | 209.60-209.89 | 154-240c dis | −11.27 | 424-534 dis | −9.13 |
| Italy | 2166¼-2172½ | 2170½-2171½ | 1-4 lire dis | −1.38 | 5-10 dis | −1.38 |
| Norway | 11.08½-11.13¾ | 11.12-11.13 | 4⅞-6 ore dis | −5.87 | 15⅛-17 dis | −5.89 |
| France | 9.98¾-10.14 | 10.00½-10.01½ | ½-⅛c pm | 0.45 | ⅞-par pm | 0.17 |
| Sweden | 10.46-10.49½ | 10.47½-10.48½ | ⅜-1½ ore dis | −1.15 | 2¼-3½ pm | 1.10 |
| Japan | 234½-236 | 235-236 | 1⅛-⅞ y pm | 5.10 | 3-2⅞ pm | 4.78 |
| Austria | 21.00-21.08 | 21.03-21.06 | 8½-7⅛ gro pm | 4.93 | 23⅛-21 pm | 4.24 |
| Switzerland | 2.45-2.46 | 2.45-2.46 | 1⅛-1 c pm | 5.80 | 3-2⅞ pm | 4.58 |

Belgian rate is for convertible francs. Financial franc 62.30-62.40. Six-month forward dollar 0.75-0.70 c pm. 12-month 0.98-0.88 pm.

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

| May 19 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.6770-1.6838 | 1.6825-1.6835 | 0.19-0.16c pm | 1.25 | 0.45-0.40 pm | 1.01 |
| Ireland† | 1.5004-1.5060 | 1.5045-1.5055 | 0.56-0.51c pm | 4.27 | 1.35-1.25 pm | 3.46 |
| Canada | 1.3387-1.3421 | 1.3400-1.3410 | 0.07-0.10c dis | −0.76 | 0.29-0.32 dis | −0.91 |
| Netherlands | 2.0015-2.0100 | 2.0030-2.0040 | 0.38-0.34c pm | 2.15 | 1.20-1.15pm | 2.34 |
| Belgium | 36.80-36.94 | 36.80-36.90 | 3pm-Par | 0.49 | 7-2 pm | 0.49 |
| Denmark | 6.67¼-6.70¼ | 6.68-6.68½ | 1.15-1.35ore dis | −2.69 | 3.60-4.30 dis | −2.36 |
| W. Germany | 1.7745-1.7832 | 1.7775-1.7785 | 0.58-0.55pf pm | 3.80 | 1.73-1.68pm | 3.83 |
| Portugal | 138¼-139 | 138½-138¾ | 90-115c dis | −8.88 | 250-300 dis | −7.94 |
| Spain | 124.40-124.86 | 124.55-124.65 | 50-100c dis | −7.21 | 240-290 dis | −8.49 |
| Italy | 1287½-1292¾ | 1289¾-1290¼ | 2.60-3.10lire dis | −2.65 | 7.00-9.00dis | −2.48 |
| Norway | 6.60½-6.62¾ | 6.60¾-6.61¼ | 3.70-4.20ore dis | 7.16 | 11.20-11.70dis | −6.92 |
| France | 5.94¼-5.95¾ | 5.94½-5.95 | 0.48-0.63c dis | −1.12 | 1.15-1.40 dis | −0.86 |
| Sweden | 6.22¼-6.24¼ | 6.22½-6.23 | 1.05-1.35ore dis | −2.31 | 3.10-3.50 dis | −2.12 |
| Japan | 139.72-140.25 | 139.95-140.05 | 0.45-0.42y pm | 3.72 | 1.35-1.30 pm | 3.78 |
| Austria | 12.49¾-12.53½ | 12.51-12.51½ | 3.60-3.20gro pm | 2.26 | 10.50-9.50 pm | 3.19 |
| Switzerland | 1.4540-1.4630 | 1.4575-1.4585 | 0.55-0.50c pm | 4.31 | 1.36-1.31 pm | 3.65 |

†UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.00-37.10

### CURRENCY RATES

| May 19 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.778420 | 0.693947 |
| U.S. Dollar | 5.5 | 1.30720 | 1.16514 |
| Canadian $ | 7.90 | * | 1.56105 |
| Austrian Sch. | 4 | 16.3805 | 14.5992 |
| Belgian Franc | 8 | 48.2814 | 43.0285 |
| Danish Krone | 7 | 8.76085 | 7.81108 |
| Deutsche Mark | 3.0 | 2.33035 | 2.07686 |
| Neth. Guilder | 4½ | 2.62682 | 2.34088 |
| French Franc | 9½ | 7.78699 | 6.93955 |
| Italian Lira | 11.5 | N/A | 1505.59 |
| Japanese Yen | 2½ | 183.073 | 163.317 |
| Norway Krone | 8 | N/A | 7.71495 |
| Spanish Peseta | — | 163.139 | 145.467 |
| Swedish Krona | 7½ | 8.15170 | 7.27045 |
| Swiss Franc | 3.5 | 1.91243 | 1.70425 |
| Greek Drach. | 20½ | 173.812 | 154.917 |
| Irish Punt | — | N/A | 0.775982 |

*C$/SDR rate for May 18: N/A

### CURRENCY MOVEMENTS

| May 19 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 73.8 | −19.8 |
| U.S. Dollar | 100.0 | −6.9 |
| Canadian Dollar | 76.6 | −11.7 |
| Austrian Schilling | 138.5 | +10.2 |
| Belgian Franc | 100.5 | −4.3 |
| Danish Krone | 93.8 | +3.7 |
| Deutsche Mark | 147.4 | +21.8 |
| Swiss Franc | 175.6 | +24.2 |
| Guilder | 135.6 | +14.4 |
| French Franc | 71.8 | −13.0 |
| Lira | 47.3 | −18.3 |
| Yen | 225.5 | +68.3 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

### OTHER CURRENCIES

| May 19 | £ | $ |
|---|---|---|
| Argentina | 2.6775-2.6895 | 1.5900-1.5950 |
| Australia | 2.3345-2.3375 | 1.3895-1.3905 |
| Brazil | 52.6095-52.9035 | 31.275-31.435 |
| Finland | 7.2500-7.2600 | 4.3310-4.3330 |
| Greece | 221.35-225.25 | 131.85-134.10 |
| Hong Kong | 13.1190-13.1290 | 7.8025-7.8035 |
| Iran | 118.50* | 69.85* |
| Korea (Sth) | 1382.75-1395.25 | 822.40-829.20 |
| Kuwait | 0.45900-0.45950 | 0.27290-0.27300 |
| Luxembourg | 61.95-62.05 | 36.80-36.90 |
| Malaysia | 4.1550-4.1600 | 2.4705-2.4720 |
| Mexico | 2070.55-2092.20 | 1231.00-1243.00 |
| N. Zealand | 2.8955-2.9030 | 1.7250-1.7280 |
| Saudi Ar. | 6.3065-6.3120 | 3.7495-3.7505 |
| Singapore | 3.5550-3.5650 | 2.1165-2.1175 |
| S. Af. (Cm) | 3.3440-3.3660 | 1.9930-1.9970 |
| S. Af. (Fn) | 5.3425-5.5175 | 3.1745-3.2785 |
| Taiwan | 53.90-54.20 | 32.15-32.25 |
| U.A.E. | 6.1770-6.1825 | 3.6725-3.6735 |

*Selling rate

### EURO-CURRENCY INTEREST RATES

| May 19 | Short term | 7 Days' notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 8¼-8⅛ | 8⅞-8¾ | 8⅞-8¾ | 8⅞-8¾ | 8⅞-8¾ | 8⅞-9 |
| U.S. Dollar | 6⅞-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7¾ | 8⅛-8⅛ | 6⅛-6⅛ |
| Can. Dollar | 7⅛-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 8⅛-8⅛ | 8⅛-8⅛ | 9-9⅛ |
| D. Guilder | 4⅞-4⅞ | 4⅞-5 | 5-5⅛ | 5-5⅛ | 5-5⅛ | 5-5⅛ |
| Sw. Franc | 1-1⅛ | 1⅛-1⅛ | 3⅛-3⅛ | 3⅞-3⅞ | 3⅞-3⅞ | 3⅞-4 |
| Deutschmark | 3⅞-3⅞ | 3⅞-3⅞ | 3⅛-3⅛ | 3⅛-3⅛ | 3⅛-3⅛ | 3⅛-3⅛ |
| Fr. Franc | 8⅛-8⅛ | 8⅛-8⅛ | 8⅛-8⅛ | 8⅛-8⅛ | 8⅛-8⅛ | 8⅛-8⅛ |
| Italian Lira | 9-11 | 8⅛-9⅛ | 9⅛-10⅛ | 9⅛-10⅛ | 10-10⅛ | 10½-10⅛ |
| B. Fr. (Fin.) | 6⅛-6⅞ | 6⅞-7 | 6⅞-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ | 10½-10⅛ |
| B. Fr. (Con.) | 6⅛-7⅛ | 6⅞-7 | 6⅞-7⅛ | 7-7⅛ | 7⅛-7⅛ | 7⅛-7⅛ |
| Yen | 3⅛-3⅞ | 3⅞-3⅞ | 3⅞-4 | 3⅞-3⅞ | 3⅛-3⅛ | 3⅞-3⅞ |
| D. Krone | 9⅞-10⅛ | 9⅞-10⅛ | 9⅞-10⅛ | 9⅛-10⅛ | 9⅛-10⅛ | 10⅛-10⅞ |
| Asian $Sing. | 1⅞-2 | N/A | 4⅛-4⅞ | 4⅛-4⅛ | 4⅛-4½ | 4⅛-4½ |

Long-term Eurodollars: Two years 8⅛-8⅞ per cent; three years 9-9⅛ per cent; four years 9⅛-9⅞ per cent; five years 9⅛-9½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| May 19 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.683 | 2.993 | 235.5 | 10.01 | 2.455 | 3.373 | 2171. | 2.257 | 62.00 |
| $ | 0.594 | 1. | 1.778 | 140.0 | 5.948 | 1.458 | 2.004 | 1290. | 1.341 | 36.85 |
| DM | 0.334 | 0.562 | 1. | 78.70 | 3.345 | 0.820 | 1.127 | 725.5 | 0.754 | 20.72 |
| YEN | 4.246 | 7.146 | 12.71 | 1000. | 42.51 | 10.42 | 14.32 | 9219. | 9.584 | 263.3 |
| F Fr. | 0.999 | 1.681 | 2.990 | 235.3 | 10. | 2.453 | 3.369 | 2169. | 2.255 | 61.94 |
| S Fr. | 0.407 | 0.686 | 1.219 | 95.93 | 4.077 | 1. | 1.374 | 884.3 | 0.919 | 25.25 |
| H Fl. | 0.297 | 0.499 | 0.887 | 69.83 | 2.968 | 0.728 | 1. | 643.7 | 0.669 | 18.38 |
| Lira | 0.461 | 0.775 | 1.378 | 108.5 | 4.611 | 1.131 | 1.553 | 1000. | 1.040 | 28.56 |
| C $ | 0.443 | 0.746 | 1.326 | 104.3 | 4.435 | 1.088 | 1.494 | 961.9 | 1. | 27.47 |
| B Fr. | 1.613 | 2.715 | 4.827 | 379.8 | 16.15 | 3.960 | 5.440 | 3502. | 3.640 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

## FINANCIAL FUTURES

# Long gilts improve

LONG TERM gilt futures rose on the London International Financial Futures Exchange yesterday. Dealers suggested that economic news, such as the UK public sector borrowing requirement, had little impact, but the market was already due for an upward correction.

Recent public opinion polls have shown a steady lead for the Conservatives, and the market was reported to be unconcerned about the weekend Harris poll pointing towards a cut in Tory support in marginal seats.

The April PSBR of £1.77bn was slightly better than City forecasts of around £2bn, and compared with £3.3bn in March. There was also encouraging news about UK wage increases. Unit wage costs in manufacturing industry rose 0.4 per cent in the year to March, after an annual rise of 1.1 per cent in February, although some forecasters had looked for a fall of 0.4 per cent in March.

The rise of 0.4 per cent in British industrial production in March, was well below the February increase of 1.6 per cent, but roughly in line with most forecasts.

A steady performance by sterling, with the pound recording little change against the dollar and D-Mark, helped support long-term gilt futures. The June contract opened slightly weaker at 125.19, and touched a low of 125-16. It rose to a peak of 126-24, and closed at 126-18, compared with 125-24 previously.

US Treasury bond futures also finished higher on the day, but traded quietly. Traders noted the lack of factors in the market, mentioning the report of rain in the US mid-West on Monday night, and the hope this had brought that the grain crop would be saved.

June Treasury bonds opened firmer at 89-11 and traded within a range of 89-03 to 89-24, before closing at 89-17, compared with 88-24 on Monday.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last June | Calls—Last Sept | Puts—Last June | Puts—Last Sept |
|---|---|---|---|---|
| 120 | 6.36 | 7.16 | 0.00 | 0.54 |
| 122 | 4.36 | 5.48 | 0.00 | 1.22 |
| 124 | 2.36 | 4.28 | 0.00 | 2.02 |
| 126 | 0.49 | 3.21 | 0.13 | 2.59 |
| 128 | 0.04 | 2.23 | 1.32 | 3.61 |
| 130 | 0.00 | 1.44 | 3.28 | 5.18 |
| 132 | 0.00 | 1.09 | 5.28 | 6.47 |
| 134 | 0.00 | .851 | 7.28 | 8.25 |

Estimated volume total, Calls 3,169 Puts 1,698
Previous day's open int: Calls 27,798 Puts 16,548

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Sept | Calls—Last Dec | Puts—Last Sept | Puts—Last Dec |
|---|---|---|---|---|
| 82 | 7.33 | 7.33 | 0.59 | 1.55 |
| 84 | 6.02 | 6.14 | 1.28 | 2.36 |
| 86 | 4.38 | 5.04 | 2.00 | 3.26 |
| 88 | 3.19 | 3.55 | 2.45 | 4.13 |
| 90 | 2.14 | 3.01 | 3.40 | 5.23 |
| 92 | 1.27 | 2.20 | 4.53 | 6.42 |
| 94 | 0.56 | 1.47 | 6.18 | 8.05 |
| 96 | 0.34 | — | 7.60 | — |

Estimated volume total, Calls 10 Puts 20
Previous day's open int: Calls 165 Puts 272

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last May | Calls—Last June | Puts—Last May | Puts—Last June |
|---|---|---|---|---|
| 20750 | 16.15 | 16.88 | 0.00 | 0.73 |
| 21000 | 13.65 | 14.73 | 0.00 | 1.08 |
| 21250 | 11.16 | 12.69 | 0.01 | 1.54 |
| 21500 | 8.70 | 10.80 | 0.05 | 2.15 |
| 21750 | 6.35 | 9.20 | 0.20 | 3.05 |
| 22000 | 4.23 | 7.60 | 0.58 | 3.95 |
| 22250 | 2.50 | 5.90 | 1.35 | 4.75 |
| 22500 | 1.28 | 4.70 | 2.63 | 6.05 |

Estimated volume total, Calls 4 Puts 76
Previous day's open int: Calls 275 Puts 348

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls—Last Jun. | July | Aug. | Sept. | Puts—Last Jun. | July | Aug | Sept. |
|---|---|---|---|---|---|---|---|---|
| 1.45 | 23.15 | — | — | 23.15 | 0.00 | — | — | 0.02 |
| 1.50 | 18.15 | 18.15 | — | 18.15 | 0.00 | 0.00 | — | 0.10 |
| 1.55 | 13.15 | 13.15 | 13.15 | 13.15 | 0.00 | 0.02 | 0.18 | 0.39 |
| 1.60 | 8.15 | 8.15 | 8.46 | 8.74 | 0.03 | 0.22 | 0.73 | 1.14 |
| 1.65 | 3.53 | 4.05 | 4.81 | 5.29 | 0.50 | 1.15 | 2.08 | 2.69 |
| 1.70 | 0.70 | 1.45 | 2.31 | 2.83 | 2.67 | 3.55 | 4.58 | 5.23 |
| 1.75 | 0.05 | 0.35 | 0.91 | 1.32 | 7.02 | 7.45 | 8.18 | 8.72 |

Estimated volume total, Calls 0 Puts 4
Previous day's open int, Calls 1,090 Puts 1,778

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last June | July | Aug. | Sept. | Puts—Last June | July | Aug. | Sept. |
|---|---|---|---|---|---|---|---|---|
| 1.45 | 12.90 | — | — | 12.70 | 0.80 | — | — | 1.50 |
| 1.50 | 15.40 | 15.40 | — | 15.40 | 0.25 | 0.25 | — | 0.50 |
| 1.55 | 12.10 | 12.10 | — | 12.30 | 0.20 | 0.30 | — | 0.85 |
| 1.60 | 8.20 | 8.20 | 8.50 | 8.70 | 0.25 | 0.45 | 1.00 | 1.35 |
| 1.65 | 3.55 | 4.20 | 4.80 | 5.40 | 0.80 | 1.55 | 2.30 | 2.90 |
| 1.70 | 1.00 | 1.70 | 2.40 | 2.95 | 3.05 | 3.90 | 4.75 | 5.40 |
| 1.75 | 0.25 | 0.65 | 1.10 | 1.50 | 7.35 | 7.75 | 8.20 | 8.70 |

Previous day's open int: Calls 289 Puts 376
Volume: 1

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last June | July | Aug. | Sept. | Puts—Last June | July | Aug. | Sept. |
|---|---|---|---|---|---|---|---|---|
| 1.600 | 7.85 | 7.95 | — | 8.60 | 0.05 | 0.25 | — | 1.15 |
| 1.625 | 5.45 | 5.75 | 6.25 | 6.75 | 0.15 | 0.60 | 1.25 | 1.70 |
| 1.650 | 3.5 | 3.95 | 4.65 | 5.50 | 0.45 | 1.20 | 1.95 | 2.60 |
| 1.675 | 1.90 | 2.45 | 3.05 | 2.65 | 1.20 | 2.15 | 2.85 | — |
| 1.700 | 0.80 | 1.40 | 2.05 | 1.85 | 2.65 | 3.45 | 4.10 | 4.85 |
| 1.725 | 0.30 | 0.75 | 1.35 | 1.25 | 4.55 | 5.25 | 5.70 | 6.45 |
| 1.750 | 0.05 | 0.40 | 0.85 | 0.80 | 6.85 | 7.25 | 7.70 | 8.15 |

Previous day's open int: Calls 79,346 Puts 60,375
Previous day's volume, Calls 1,271 Puts 336

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

| Strike Price | Calls—Last June | Sept. | Dec. | Mar. | Puts—Last June | Sept. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 92.25 | 0.27 | 0.18 | 0.19 | — | 0.05 | 0.63 | 1.02 | — |
| 92.50 | 0.11 | 0.11 | 0.13 | — | 0.14 | 0.81 | 1.21 | — |
| 92.75 | 0.03 | 0.06 | 0.08 | — | 0.31 | 1.01 | 1.41 | — |
| 93.00 | 0.00 | 0.03 | 0.05 | — | 0.53 | 1.23 | 1.63 | — |
| 93.25 | 0.00 | 0.01 | 0.03 | — | 0.78 | 1.46 | 1.86 | — |
| 93.50 | 0.00 | 0.01 | 0.02 | — | 1.03 | 1.71 | 2.10 | — |

Previous day's open int: Calls 1,271, Puts 1,127
Estimated volume, Calls 66, Puts 80

### LONDON

#### 20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| June | 126-18 | 126-24 | 125-16 | 125-24 |
| Sept. | 126-13 | 126-18 | 125-18 | 125-19 |
| Dec. | 126-02 | — | — | 125-08 |

Estimated volume 28,822 (26,876)
Previous day's open int. 32,581 (32,125)

#### 10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| June | — | — | — | — |

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

#### THREE-MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| June | 91.38 | 91.40 | 91.33 | 91.37 |
| Sept. | 91.42 | 91.44 | 91.35 | 91.42 |
| Dec. | 91.22 | 91.22 | 91.18 | 91.24 |
| Mar. | 91.03 | 91.02 | 90.98 | 91.08 |
| June | 90.94 | 90.85 | 90.83 | 90.90 |
| Sept. | 90.68 | — | — | 90.75 |

Estimated Volume 3,672 (5,372)
Previous day's open int. 25,689 (26,585)

#### FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| June | 223.65 | 223.70 | 221.00 | 220.50 |
| Sept. | 227.15 | 226.40 | 225.00 | 224.00 |

Estimated volume 901 (1,107)
Previous day's open int. 5,200 (5,292)

#### THREE-MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| June | 92.47 | 92.48 | 92.43 | 92.47 |
| Sept. | 91.94 | 91.86 | 91.78 | 91.80 |
| Dec. | 91.45 | 91.48 | 91.41 | 91.42 |
| March | 91.21 | 91.26 | 91.20 | 91.21 |
| June | [illegible] | [illegible] | [illegible] | [illegible] |
| Sept. | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec. | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar. | [illegible] | [illegible] | [illegible] | [illegible] |

Estimated volume [illegible]
Previous day's open int. [illegible]

#### U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| June | 89-17 | 89-24 | 89-03 | 88-24 |
| Sept. | [illegible] | [illegible] | [illegible] | [illegible] |

Estimated volume [illegible]
Previous day's open int. [illegible]

### CURRENCY FUTURES

#### POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.6830 | [illegible] | [illegible] | [illegible] | [illegible] |

#### IMM—STERLING $s per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| June | 1.6805 | 1.6830 | 1.6775 | 1.6800 |
| Sept. | 1.6765 | 1.6790 | 1.6740 | 1.6765 |
| Dec. | 1.6740 | 1.6770 | 1.6715 | 1.6735 |
| Mar. | 1.6770 | 1.6770 | 1.6730 | 1.6735 |

#### LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 1.6803 | 1.6818 | 1.6776 | 1.6820 |
| Sept. | 1.6760 | — | — | 1.6770 |
| Dec. | 1.6735 | — | — | 1.6745 |

Estimated volume 94 (10)
Previous day's open int 410 (407)

### CHICAGO

#### U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 89-22 | 89-27 | 89-06 | 89-26 |
| Sept. | 88-23 | 88-26 | 88-06 | 88-26 |
| Dec. | 87-25 | 87-28 | 87-09 | 87-29 |
| Mar. | 86-29 | 87-02 | 86-17 | 87-03 |
| June | 86-05 | 86-07 | 85-30 | 86-11 |
| Sept. | — | — | — | 85-21 |
| Dec. | — | — | — | 84-14 |
| Mar. | — | — | — | — |
| June | — | — | — | — |
| Sept. | — | — | — | 83-14 |
| Dec. | — | — | — | 83-00 |

#### U.S. TREASURY BILLS (IMM)
$1m points of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 94.00 | 94.06 | 93.88 | 93.87 |
| Sept. | 93.18 | 93.22 | 93.08 | 93.11 |
| Dec. | 92.74 | 92.80 | 92.71 | 92.72 |
| Mar. | 92.50 | 92.58 | 92.50 | 92.50 |
| Jun. | 92.33 | 92.39 | 92.33 | 92.34 |
| Sept. | 92.19 | 92.24 | 92.19 | 92.19 |
| Dec. | 92.05 | 92.10 | — | 92.05 |
| Mar. | 91.91 | 91.96 | — | 91.91 |

#### SWISS FRANC (IMM)
SFr 125,000 $ per SFr

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 0.6871 | 0.6886 | 0.6855 | 0.6858 |
| Sep. | 0.6928 | 0.6948 | 0.6915 | 0.6918 |
| Dec. | 0.7000 | 0.7013 | 0.6981 | 0.6986 |
| Mar. | — | — | — | 0.7046 |

#### JAPANESE YEN (IMM)
Y12.5m $ per Y100

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 0.7156 | 0.7174 | 0.7149 | 0.7158 |
| Sept. | 0.7226 | 0.7243 | 0.7219 | 0.7226 |
| Dec. | 0.7304 | 0.7313 | 0.7298 | 0.7303 |
| Mar. | — | — | — | 0.7385 |
| June | — | — | — | 0.7473 |

#### DEUTSCHE MARK (IMM)
DM125,000 $ per DM

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 0.5637 | 0.5647 | 0.5625 | 0.5632 |
| Sept. | 0.5692 | 0.5701 | 0.5680 | 0.5687 |
| Dec. | 0.5758 | 0.5758 | 0.5741 | 0.5746 |
| Mar. | — | — | — | 0.5798 |

#### THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 92.47 | 92.49 | 92.43 | 92.49 |
| Sept. | 91.83 | 91.86 | 91.78 | 91.84 |
| Dec. | 91.43 | 91.48 | 91.39 | 91.46 |
| Mar. | 91.19 | 91.26 | 91.19 | 91.24 |
| June | 91.03 | 91.09 | 91.02 | 91.00 |
| Sept. | 90.89 | 90.94 | 90.87 | 90.93 |
| Dec. | 90.75 | 90.80 | 90.75 | 90.79 |
| Mar. | 90.62 | 90.67 | 90.62 | 90.65 |

#### STANDARD & POORS 500 INDEX
$500 times index

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| June | 286.70 | 287.95 | 285.30 | 287.10 |
| Sept. | 289.00 | 290.00 | 287.80 | 289.45 |
| Dec. | 291.50 | 292.30 | 290.29 | 291.90 |
| Mar. | 293.50 | 294.20 | 292.20 | 293.90 |

## MONEY MARKETS

# UK rates easier

INTEREST RATES had a slightly softer tone on the London money market yesterday, with three-month interbank falling to 8⅞-8⅞ per cent from 8¾-8⅞ per cent.

Dealers suggested a cut in UK bank base rates was now less likely, ahead of the general election on June 11, in spite of the recent decline in money market rates.

The Bank of England is believed to be concerned about the impact of lower rates on money supply growth, at a time when intervention by the authorities, to sell sterling on the foreign exchanges, is also threatening to become a problem, from the point of view of monetary growth.

**UK clearing bank base lending rate 9 per cent since May 8**

Money supply and bank lending figures for April will be published today.

The market was generally happy with the recent trend in public opinion polls ahead of the election, and there was little reaction to the good April public sector borrowing requirement. The PSBR was £1.77bn, against expectations of around £2bn, and £3.3bn in March.

The Bank of England initially forecast a money market shortage of £150m, but changed this to £100m at noon, and back to £150m in the afternoon.

The authorities did not operate in the market in the morning, but gave total help on the day at £188m.

After lunch the authorities bought £128m bills outright, by way of £3m Treasury bills in band 1 at 8⅞ per cent and £125m bank bills in band 1 at 8⅞ per cent. Late assistance of £60m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £289m, with Exchequer transactions absorbing £20m. These outweighed a fall in the note circulation adding £40m to liquidity and bank balances above target by £120m.

In Frankfurt call money was steady at 3.60 per cent, on the announcement from the West German Bundesbank of a new securities repurchase agreement tender. The minimum bid rate was unchanged at 3.50 per cent, for a 35-day agreement.

Dealers sugggested the Bundesbank is likely to allocate more than the DM 6bn draining from the market, as an earlier agreement expires today, reflecting the need of the market for funds as tax payments fall due this month, but at the same time pursuing a middle course on interest rates, trying to prevent a further weakening of the dollar.

A fall in interest rates would tend to stem any further appreciation of the D-Mark against the dollar, but increase fears of rising money supply growth.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. May 19) 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 7⅞ | offer 7⅞ | bid 7⅞ | offer 7⅞ |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

#### NEW YORK (Lunchtime)

| | |
|---|---|
| Prime rate | 8¼ |
| Broker loan rate | 8 |
| Fed. funds | 6⅞ |
| Fed funds at intervention | 6⅞ |

**Treasury Bills and Bonds**

| | | | |
|---|---|---|---|
| One month | 4.95 | Three year | 8.20 |
| Two month | 5.55 | Four year | 8.36 |
| Three month | 6.02 | Five year | 8.43 |
| Six month | 6.52 | Seven year | 8.62 |
| One year | 7.15 | 10 year | 8.75 |
| Two year | 7.90 | 30 year | 8.90 |

| May 19 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 3.55-3.65 | 3.65-3.75 | 3.65-3.75 | 3.65-3.75 | 3.65-3.80 | 5.0 |
| Paris | 8⅛-8⅛ | 8⅛-8¼ | 8⅛-8¼ | 8⅛-8¼ | 8⅛-8⅛ | 7¾ |
| Zurich | ⅞-1⅛ | 3-3¼ | — | 3⅛-3⅞ | — | — |
| Amsterdam | 5-5⅛ | 5-5⅛ | — | 5-5⅛ | — | — |
| Tokyo | 3.15625 | 3.78125 | — | — | — | — |
| Milan | 9⅞-10⅛ | 10¼-10⅝ | — | 10⅛-10½ | — | — |
| Brussels | 3.75 | 7-7⅛ | — | 7⅛-7¼ | — | — |
| Dublin | 10½-11 | 11⅛-11⅛ | 10⅞-11⅛ | 10⅛-11 | 10½-10⅞ | — |

### LONDON MONEY RATES

| May 19 | Overnight | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 8⅛-7 | 8½-8⅛ | 8⅞-8⅞ | 8⅞-8⅞ | 8⅞-8⅞ | 9-8⅞ |
| Sterling CDs | — | — | 8½-8⅞ | 8⅞-8½ | 8⅝-8⅞ | 8⅞-8⅞ |
| Local Authority Deposits | 8⅛ | 8 | 8⅞ | 8⅞ | 8⅞ | 8⅞ |
| Local Authority Bonds | — | — | 8¼ | 8⅞ | 8⅞ | 8⅞ |
| Discount M'kt Deposits | 9-7 | 8⅛ | 8⅞ | 8⅞ | — | — |
| Company Deposits | 8⅞-8¼ | 8½ | 8⅞ | 8¼ | 8¼ | 8⅞ |
| Finance House Deposits | — | — | 8⅞ | 8⅞ | 8⅞ | 8⅞ |
| Treasury Bills (Buy) | — | — | 8½ | 8⅞ | — | — |
| Bank Bills (Buy) | — | — | 8½ | 8⅞ | 8⅞ | — |
| Fine Trade Bills (Buy) | — | — | 9⅛ | 9⅞ | 9 | — |
| Dollar CDs | — | — | 7.20-7.15 | 7.40-7.35 | 7.65-7.60 | 8.20-8.15 |
| SDR Linked Deposits | — | — | 6⅛-5⅞ | 6¼-6 | 6⅞-6⅛ | 6⅞-6⅞ |
| ECU Linked Deposits | — | — | 6⅞-6⅞ | 6⅞-6⅞ | 6⅞-6¼ | 7⅛-6⅞ |

Treasury Bills (sell); one-month 8⅞ per cent; three-months 8⅞ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 8.2568 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1987. Agreed rates for period May 26 to June 23, 1987, Scheme I: 11.29 p.c., Schemes II & III: 11.11 p.c. Reference rate for period April 1 to April 30, 1987, Scheme IV: 9.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from May 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8½ per cent; three-six months 8⅝ per cent; six-nine months 8⅝ per cent; nine-12 months 8⅝ per cent; Under £100,000 8 per cent from May 13. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

# WORLD MARKETS

## FT-ACTUARIES WORLD INDICES

**Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries**

| NATIONAL AND REGIONAL MARKETS | TUESDAY MAY 19 1987 | | | | | MONDAY MAY 18 1987 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1987 High | 1987 Low | Year ago (approx) |
| Australia (94) | 138.26 | −1.5 | 121.80 | 127.83 | 2.80 | 140.38 | 123.58 | 129.50 | 140.38 | 99.92 | 89.31 |
| Austria (16) | 89.87 | +0.0 | 79.17 | 83.03 | 2.26 | 89.83 | 79.08 | 82.90 | 101.62 | 89.69 | 88.01 |
| Belgium (47) | 118.19 | −3.3 | 104.12 | 107.99 | 4.41 | 122.26 | 107.63 | 111.55 | 123.62 | 96.19 | 81.00 |
| Canada (131) | 128.32 | −1.4 | 113.04 | 124.56 | 2.42 | 130.13 | 114.56 | 126.31 | 136.17 | 100.00 | 99.43 |
| Denmark (39) | 118.27 | +0.0 | 104.19 | 107.49 | 2.48 | 118.23 | 104.09 | 107.46 | 124.10 | 98.18 | 96.24 |
| France (122) | 116.66 | +1.5 | 102.77 | 108.83 | 2.56 | 114.99 | 101.23 | 107.19 | 121.82 | 98.39 | 91.88 |
| West Germany (90) | 92.48 | −0.6 | 81.47 | 85.49 | 2.17 | 93.08 | 81.94 | 86.03 | 100.33 | 84.00 | 81.25 |
| Hong Kong (45) | 108.94 | −0.1 | 95.97 | 109.14 | 3.02 | 109.09 | 96.04 | 109.22 | 114.71 | 96.89 | 70.92 |
| Ireland (14) | 130.40 | −1.1 | 114.87 | 122.08 | 3.57 | 131.86 | 116.09 | 123.29 | 131.86 | 99.50 | 85.10 |
| Italy (76) | 100.33 | −1.0 | 88.39 | 96.66 | 1.71 | 101.31 | 89.19 | 97.57 | 112.11 | 94.76 | 106.40 |
| Japan (458) | 154.98 | −1.0 | 136.52 | 137.15 | 0.48 | 156.60 | 137.86 | 138.53 | 161.28 | 100.00 | 72.27 |
| Malaysia (36) | 163.50 | +0.0 | 144.03 | 155.62 | 2.44 | 163.44 | 143.89 | 155.31 | 163.50 | 98.28 | 66.67 |
| Mexico (14) | 171.63 | +0.8 | 151.19 | 232.12 | 0.95 | 170.18 | 149.82 | 228.49 | 197.27 | 99.72 | 51.06 |
| Netherland (38) | 120.14 | +0.6 | 105.84 | 109.86 | 4.04 | 119.45 | 105.17 | 109.23 | 120.14 | 99.65 | 83.31 |
| New Zealand (27) | 90.26 | +0.5 | 79.52 | 82.75 | 3.29 | 89.79 | 79.05 | 81.89 | 100.59 | 83.93 | 64.45 |
| Norway (24) | 138.59 | +0.4 | 122.09 | 124.34 | 2.02 | 137.97 | 121.47 | 123.79 | 139.79 | 100.00 | 90.02 |
| Singapore (27) | 135.48 | +0.8 | 119.35 | 132.17 | 1.79 | 134.40 | 118.32 | 131.18 | 136.09 | 99.29 | 58.64 |
| South Africa (61) | 174.78 | −2.2 | 153.97 | 123.26 | 3.26 | 178.78 | 157.40 | 125.07 | 186.74 | 100.00 | 84.80 |
| Spain (43) | 113.14 | −0.6 | 99.66 | 106.79 | 3.82 | 113.79 | 100.18 | 107.36 | 121.31 | 100.00 | 83.66 |
| Sweden (33) | 114.56 | +0.5 | 100.92 | 105.61 | 2.19 | 113.99 | 100.36 | 105.13 | 124.68 | 90.85 | 89.06 |
| Switzerland (51) | 97.12 | −0.7 | 85.55 | 87.79 | 1.95 | 97.82 | 86.12 | 88.54 | 104.06 | 93.26 | 81.00 |
| United Kingdom (338) | 148.66 | +0.8 | 130.96 | 130.96 | 3.18 | 147.41 | 129.78 | 129.78 | 148.66 | 99.65 | 96.83 |
| USA (596) | 114.41 | −2.3 | 100.78 | 114.41 | 3.17 | 117.10 | 103.09 | 117.10 | 124.06 | 100.00 | 99.11 |
| Europe (931) | 121.42 | +0.3 | 106.96 | 110.13 | 2.86 | 121.09 | 106.61 | 109.79 | 121.61 | 99.78 | 91.18 |
| Pacific Basin (687) | 152.61 | −1.0 | 134.44 | 135.73 | 0.63 | 154.18 | 135.74 | 137.06 | 158.30 | 100.00 | 72.73 |
| Euro—Pacific (1618) | 140.18 | −0.6 | 123.48 | 125.52 | 1.40 | 140.99 | 124.12 | 126.19 | 143.22 | 100.00 | 80.01 |
| North America (727) | 115.14 | −2.2 | 101.43 | 114.98 | 3.12 | 117.79 | 103.70 | 117.61 | 124.60 | 100.00 | 99.13 |
| World Ex. US (1824) | 140.15 | −0.6 | 123.46 | 129.73 | 1.46 | 141.03 | 124.16 | 129.88 | 143.09 | 100.00 | 80.72 |
| World Ex. UK (2082) | 128.26 | −1.4 | 112.99 | 120.64 | 1.91 | 130.13 | 114.56 | 122.36 | 133.33 | 100.00 | 87.09 |
| World Ex. So. Af. (2359) | 129.80 | −1.2 | 114.34 | 121.56 | 2.03 | 131.37 | 115.65 | 123.00 | 133.85 | 100.00 | 87.93 |
| World Ex. Japan (1962) | 118.26 | −1.3 | 104.18 | 113.83 | 3.02 | 119.83 | 105.49 | 115.30 | 121.80 | 100.00 | 95.40 |
| The World Index (2420) | 130.09 | −1.2 | 114.59 | 121.61 | 2.05 | 131.67 | 115.92 | 123.05 | 134.11 | 100.00 | 87.92 |

Base values: Dec 31, 1986 = 100



## EUROPEAN OPTIONS EXCHANGE

| Series | | Aug 87 Vol. | Aug 87 Last | Nov 87 Vol. | Nov 87 Last | Feb 88 Vol. | Feb 88 Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $440 | 77 | 47B | 2 | 57 | 5 | 67.50 | $470.90 |
| GOLD C | $460 | 8 | 33 | 65 | 46A | 2 | 56 | " |
| GOLD C | $480 | 38 | 22.50 | 75 | 35 | 7 | 47 | " |
| GOLD C | $500 | 60 | 15.90 | 77 | 28.90 | 57 | 36 | " |
| GOLD C | $520 | 231 | 8.50 | 37 | 20.50 | — | — | " |
| GOLD P | $360 | 169 | 0.30 | — | — | — | — | " |
| GOLD P | $400 | 10 | 1.50 | 100 | 4 | — | — | " |
| GOLD P | $440 | 249 | 5.80 | — | — | — | — | " |
| GOLD P | $460 | 34 | 12 | — | — | — | — | " |
| GOLD P | $480 | 134 | 22 | — | — | 5 | 28.50 | " |
| | | Jun 87 | | Sep 87 | | Dec 87 | | |
| SILVER C | $750 | 20 | 180 | 40 | 170 | — | — | $910 |
| SILVER C | $850 | — | — | 5 | 140 | 20 | 185A | " |
| SILVER C | $900 | 22 | 90 | 1 | 130A | 70 | 170A | " |
| SILVER C | $950 | — | — | 16 | 110 | — | — | " |
| SILVER C | $1000 | — | — | 20 | 100 | 14 | 120 | " |
| SILVER P | $800 | 5 | 25 | 5 | 60 | 10 | 85 | " |
| £/Fl C | Fl.340 | 2 | 1.80 | — | — | 30 | 3.70 | Fl.337.22 |
| £/Fl. P | Fl.340 | — | — | — | — | 30 | 13 | " |
| | | Jun 87 | | Jul 87 | | Aug 87 | | |
| $/Fl C | Fl.200 | 4 | 2.70 | — | — | — | — | Fl.200.37 |
| $/Fl C | Fl.205 | 44 | 0.80A | 5 | 1.60 | 34 | 2.10 | " |
| $/Fl C | Fl.210 | — | — | — | — | 29 | 1.40 | " |
| $/Fl C | Fl.220 | 10 | 0.10A | — | — | — | — | " |
| $/Fl P | Fl.195 | 20 | 0.60B | — | — | — | — | " |
| $/Fl P | Fl.200 | 41 | 2.20 | — | — | — | — | " |
| $/Fl P | Fl.215 | 16 | 14.50 | — | — | — | — | " |
| | | Sep 87 | | Dec 87 | | Mar 88 | | |
| $/Fl C | Fl.190 | — | — | — | — | 11 | 11.50 | Fl.200.37 |
| $/Fl C | Fl.200 | 10 | 4.80 | 33 | 6A | 21 | 7.30 | " |
| $/Fl C | Fl.205 | 48 | 3.10 | — | — | 10 | 5.50 | " |
| $/Fl C | Fl.210 | 24 | 1.80 | 3 | 2.80A | 12 | 4 | " |
| | | July 87 | | Oct 87 | | Jan 88 | | |
| ABN C | Fl.500 | 76 | 12.20 | 20 | 21 | — | — | Fl.486 |
| ABN P | Fl.500 | 16 | 17.50B | 73 | 30 | 20 | 38 | " |
| AEGON C | Fl.90 | 79 | 4 | 120 | 5 | 23 | 7 | Fl.91.90 |
| AEGON P | Fl.90 | 72 | 3 | 42 | 4.70 | — | — | " |
| AHOLD C | Fl.110 | 274 | 1.30 | 11 | 3 | — | — | Fl.102.20 |
| AHOLD P | Fl.100 | 78 | 2.40 | 2 | 3.10 | — | — | " |
| AKZO C | Fl.140 | 242 | 1.90 | 84 | 5.20B | 7 | 7.50 | Fl.131.20 |
| AKZO P | Fl.140 | 239 | 9.50B | 20 | 10.30B | 47 | 12.40 | " |
| AMEV C | Fl.65 | 81 | 1.30A | 55 | 2.40 | 5 | 4.20 | Fl.61.20 |
| AMEV P | Fl.75 | 42 | 15.50 | 10 | 16B | — | — | " |
| AMRO C | Fl.80 | 116 | 1.60 | 15 | 3.30 | 9 | 5.20 | Fl.76.70 |
| AMRO P | Fl.75 | 8 | 1.30 | 17 | 3.40 | 10 | 4.20 | " |
| ELSEVIER C | Fl.50 | 100 | 2.50 | 7 | 3.80A | — | — | Fl.50 |
| ELSEVIER P | Fl.48 | 50 | 0.70 | — | — | — | — | " |
| GIST-BROC C | Fl.45 | 30 | 1.30 | 35 | 2.60 | — | — | Fl.43.30 |
| GIST-BROC P | Fl.45 | 55 | 2.60 | 9 | 3.50 | 2 | 4.30 | " |
| HEINEKEN C | Fl.190 | 1 | 2 | 1 | 3.70 | 20 | 6 | Fl.175 |
| HEINEKEN P | Fl.170 | 40 | 2.50 | 354 | 5 | — | — | " |
| HOOGOVENS C | Fl.40 | 1092 | 3.70 | 333 | 5.50 | 105 | 6.50 | Fl.43.30 |
| HOOGOVENS P | Fl.40 | 303 | 1.60 | 49 | 2.90A | 11 | 4 | " |
| KLM C | Fl.50 | 1107 | 1.50 | 1566 | 2.70 | 332 | 3.70 | Fl.47.50 |
| KLM P | Fl.45 | 328 | 1 | 427 | 2.30 | 49 | 3.50 | " |
| NED. LLOYD C | Fl.140 | 61 | 6 | — | — | — | — | Fl.143.70 |
| NED. LLOYD P | Fl.130 | 36 | 3 | 12 | 5 | 22 | 7 | " |
| NAT. NED. C | Fl.70 | 195 | 2.80 | 116 | 4.30 | 9 | 6 | Fl.69.50 |
| NAT. NED. P | Fl.70 | 52 | 2.30 | 15 | 3.60 | 23 | 4.30 | " |
| PHILIPS C | Fl.50 | 462 | 1.50 | 220 | 3.20 | 41 | 4.10 | Fl.48.10 |
| PHILIPS P | Fl.50 | 73 | 2.80 | 103 | 3.60 | 151 | 4.30 | " |
| ROYAL DUTCH C | Fl.270 | 771 | 5 | 692 | 7.80 | 185 | 11.80 | Fl.262.20 |
| ROYAL DUTCH P | Fl.260 | 582 | 6.20 | 308 | 9.60 | 8 | 12 | " |
| UNILEVER C | Fl.620 | 1307 | 27.50 | 292 | 39 | 171 | 46 | Fl.639.50 |
| UNILEVER P | Fl.600 | 377 | 5.80B | 183 | 11B | 69 | 16 | " |

TOTAL VOLUME IN CONTRACTS: 36,108

A=Ask B=Bid C=Call P=Put

## BASE LENDING RATES

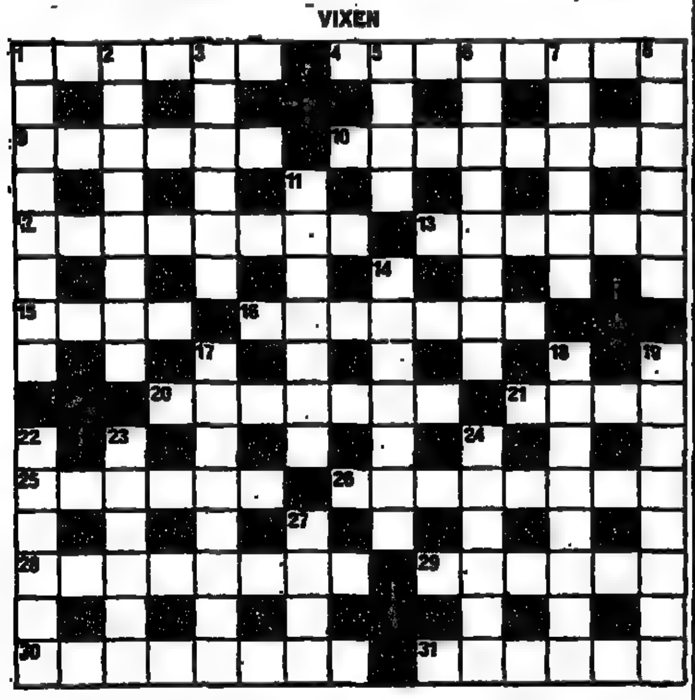
| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 9 | ● Charterhouse Bank | 9 | ● Morgan Grenfell | 9 |
| Adam & Company | 9 | Citibank NA | 9 | Mount Credit Corp. Ltd. | 9 |
| Allied Arab Bk Ltd. | 9 | City Merchants Bank | 9 | Nat Bk. of Kuwait | 9 |
| Allied Dunbar & Co | 9 | Clydesdale Bank | 9 | NatWestminster | 9 |
| Allied Irish Bank | 9 | Comm. Bk. N. East | 9 | Northern Bank Ltd. | 9 |
| American Exp. Bk. | 9 | Consolidated Crdt. | 9 | † Norwich Gen. Trust | 9 |
| Amro Bank | 9 | Co-operative Bank | *9 | PK Finans. Intl (UK) | 10 |
| Henry Ansbacher | 9 | Cyprus Popular Bk | 9 | Provincial Trust Ltd. | 11 |
| ANZ Banking Group | 9 | Duncan Lawrie | 9 | R. Raphael & Sons | 9 |
| Associates Cap Corp. | 9 | E. T. Trust | 10 | Roxburghe G'rantee | 10½ |
| Authority & Co Ltd | 9 | Equat'l Tst C'p plc | 9½ | Royal Bk of Scotland | 9 |
| Banco de Bilbao | 9 | Exeter Trust Ltd. | 9½ | Royal Trust Bank | 9 |
| Bank Hapoalim | 9 | Financial & Gen. Sec. | 9 | Smith & Williamson Secs. | 9 |
| Bank Leumi (UK) | 9 | First Nat. Fin. Corp. | 10½ | Standard Chartered | 9 |
| Bank Credit & Comm | 9 | First Nat. Sec. Ltd | 10½ | Trustee Savings Bank | 9 |
| Bank of Cyprus | 9 | ● Robert Fleming & Co. | 9 | UDT Mortgage Exp. | §11.1 |
| Bank of Ireland | 9 | Robert Fraser & Ptrs. | 10 | United Bk of Kuwait | 9 |
| Bank of India | 9 | Girobank | 9 | United Mizrahi Bank | 9 |
| Bank of Scotland | 9 | Grindlays Bank | ‡9 | Unity Trust PLC | 9 |
| Banque Belge Ltd | 9 | ● Guinness Mahon | 9 | Westpac Bank Corp. | 9 |
| Barclays Bank | 9 | HFC Trust & Savings | 9 | Whiteaway Laidlaw | 9½ |
| Beneficial Tst Ltd | 9 | ● Hambros Bank | 9 | Yorkshire Bank | 9 |
| Beneficial Trust Ltd | 10½ | Heritable & Gen. Trt. | 9 | | |
| Berliner Bank AG | 9 | ● Hill Samuel | †9 | | |
| Brit Bk of Mid East | 9 | C. Hoare & Co. | 9 | | |
| ● Brown Shipley | 9 | Hongkong & Shangh. | 9 | | |
| Business Mtge Tst | 9½ | Lloyds Bank | 9 | | |
| CL Bank Nederland | 9 | Mase Westpac Ltd. | 9 | | |
| Canada Permanent | 9 | Meghraj & Sons Ltd. | 9 | | |
| Cayzer Ltd. | 9 | Midland Bank | 9 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sawsaver 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. † Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.



## FT CROSSWORD PUZZLE No. 6,331

VIXEN



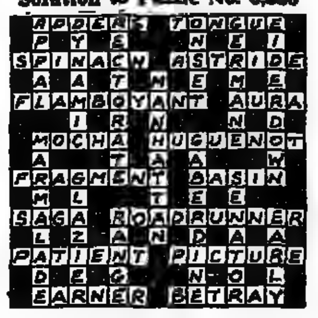

**ACROSS**

1 Check the beastly joint! (6)
4 " A field of battle, and not a bed of roses," according to Stevenson (8)
9 Feign concern (6)
10 A large number in quite good environs degenerate (8)
12 They use yarn to make fancy trinkets (8)
13 A fool in the soup? (6)
15 About returning spirit and aspiration (4)
16 A chopper's cold, the French allege (7)
20 Sort of roof that's peculiarly *English* (7)
21 Mean foundation (4)
25 Fruit for when one's in the shower (6)
26 Force carrying a little weight for exercise (8)
28 Suggest it—name it—quite wrongly (8)
29 Double up, and so get credit still (6)
30 The way a guide is found for the newcomer (8)
31 " Things without all ---- should be without regard." *Shakespeare (Macbeth)* (6)

**DOWN**

1 Dismissing about fifty for not working conscientiously (8)
2 Break fine ring for re-modelling (8)
3 *Company returns* in modern place (6)
5 People after a last word (4)
6 A red nose requires treatment, it's argued (8)
7 A note to finish a list of things to be seen to (6)
8 Access is taken in the shopping-centre—even welcomed (6)
11 Anger sovereign and country (7)
14 Drink up about everything and duck! (7)
17 The top guy using charm in a new way (8)
18 Associate accommodating revolutionary leader in a pickle (8)
19 Relentlessly cut, see? (8)
22 Good sense may be shown in splitting supporters (6)
23 Very cold beer (6)
24 Panic about a hundred being insufficient to meet demand (6)
27 A good man with the old complaint! (4)

**Solution to Puzzle No. 6,330**






## FT UNIT TRUST INFORMATION SERVICE

# AUTHORISED UNIT TRUSTS

Bid Price | Offer Price | + or − | Yield Gross

Abbey Unit Tst. Mngrs. (a)

Allied Dunbar Unit Trusts PLC (a)(g)

Anthony Wieler Unit Tst. Mgmt. Ltd

Archway Unit Tst. Mgrs. Ltd(a)(c)

Arkwright Management

Asset Unit Trust Mngrs Ltd

Atlantic Unit Managers Ltd

Baillie Gifford & Co Ltd

Baltic Trust Managers Ltd

Barclays Unicorn Ltd(a)(c)(g)

Barings Fund Managers Ltd

Barrington Mngt Co Ltd (a)

Bell Court Fund Mngt PLC

Bishopsgate Progressive Mgmt. Co

Bridge Fund Managers (a)(c)

Britannia Unit Trust Managers Ltd

Brown Shipley & Co Ltd (a)(g)

Bryanston Unit Trust Mgmt Ltd(a)(c)(d)

Buckmaster Management Co Ltd

CCL Unit Trusts Limited

CS Fund Managers Limited

Canada Life Unit Trust Mngrs. Ltd

Cannon Fund Managers Ltd

Capel (James) Mngt. Ltd

Capital House Unit Trust Mngrs

Cent. Bd. of Fin. of Church of England

Charities Official Invest. Fund

Chase Manhattan Fund Mngrs Ltd

Clerical Medical Unit Trust Managers Ltd

Confederation Funds Mngt Ltd (a)

Cornhill Unit Trust Managers Ltd

County Unit Trust Managers

Crown Unit Trust Services Ltd

Crusader Unit Trust Managers Ltd

Darlington Unit Trust Mngt. Ltd

Discretionary Unit Fund Managers

Drummond Fund Management Ltd

EBC Amro Unit Trust Managers Ltd

EFM Unit Trust Managers Ltd

Eagle Star Unit Mngrs Ltd

Enterprise Fund Managers Ltd

Equitable Units Administration Ltd

Equity & Law Un. Tr. M. (a) (c)

F & C Unit Management

FS Investment Managers Ltd

Fidelity Investment Services Ltd

Robert Fleming & Co Ltd

Framlington Group (a)

Friends Provident Unit Trusts

GT Unit Managers Ltd

Gartmore Fund Managers (a) (g)

Govett (John) Unit Mngt. Ltd

Grieveson Unit Trust Managers Ltd

Guardian Royal Ex. Unit Mgrs. Ltd

Henderson Administration (a)(b)(c)

Hill Samuel Unit Tst. Mgrs.

Key Fund Managers Ltd

L & C Unit Trust Management Ltd

Lazard Brothers & Co Ltd

Legal & General (Unit Tst.) Managers Ltd

Lloyds Bk. Unit Tst. Mngrs. Ltd (a)

Local Authorities' Mutual Invest. Trt.

London & Manchester (Tst Mngmt) Ltd

M & G Group

Newton Fund Managers Ltd

# FT UNIT TRUST INFORMATION SERVICE

**MGM Unit Managers Ltd**
MGM House, Heene Rd, Worthing 01-623 8211

| | | | | |
|---|---|---|---|---|
| High Inc | 303.5 | 322.8 | +2.4 | 4.62 |
| (Accum Units) | 375.3 | 399.2 | +3.1 | 4.62 |
| UK Growth | 383.9 | 408.3 | +4.4 | 2.09 |
| (Accum Units) | 407.3 | 433.7 | +4.9 | 2.09 |

**MLA Unit Trust Management**
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

| | | | | |
|---|---|---|---|---|
| MLA Gen. Tst. | 44.8 | 47.4 | +0.4 | 1.38 |
| MLA Income Trust | 59.3 | 63.0 | +0.4 | 3.57 |
| MLA Int | 62.4 | 66.3 | -0.2 | 0.80 |
| MLA Gilt Unit Tst | 25.8 | 26.6 | -0.1 | 9.77 |
| MLA European Trust | 33.6 | 35.4 | -0.1 | 0.70 |
| MLA American Tst. | 27.8 | 29.4 | +1.1 | 0.85 |
| MLA Emerging Mkts. Tst | 24.2 | 25.6 | +0.1 | 0.69 |

**ManuLife Management Ltd**
St George's Way, Stevenage 0438 356101

| | | | | |
|---|---|---|---|---|
| Gilt&Fxd Int. | 123.6 | 128.0 | — | 6.83 |
| Growth Units | 108.9 | 114.8 | — | 2.37 |
| High Income Unit | 150.3 | 159.7 | — | 3.70 |
| High Yielding Gilt Uts | 61.9 | 64.1 | — | 8.43 |
| Intl Growth Unit Tst | 159.0 | 169.0 | — | 0.18 |
| UK Smaller Cos. | 121.5 | 129.1 | — | 1.44 |
| North American | 80.5 | 85.4 | — | 0.35 |
| Far East | 143.6 | 152.4 | — | 0.02 |
| European | — | — | — | — |

**Mayflower Management Co Ltd**
No. 1 London Bridge, London, SE1 9QU 01-378 7000

| | | | | |
|---|---|---|---|---|
| Income May 18 | 329.0 | 350.0 | — | 3.19 |
| General May 5 | 259.1 | 275.7 | — | 1.77 |
| International May 5 | 150.3 | 159.9 | — | 0.66 |
| Global Inc Fd May 5 | 48.5 | 51.6 | — | 5.33 |

**Medical Investments Limited**
4 Sandys Row, London E1 7HW. 01-247 1167/8/9

| | | | | |
|---|---|---|---|---|
| Health Fund | 48.9 | 51.4 | — | — |

**Mencap Unit Trust Mngrs Ltd (a)(c)(g)**
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

| | | | | |
|---|---|---|---|---|
| Mencap | 182.3 | 192.9 | — | 3.77 |

**Mercury Fund Managers Ltd (c)**
33 King William St, EC4R 9AS 01-280 2060

| | | | | |
|---|---|---|---|---|
| American Growth | 103.3 | 109.3 | -1.4 | 2.33 |

**Perpetual Unit Trust Mngmt. (a)**
48 Hart Street, Henley on Thames 0491 576868

| | | | | |
|---|---|---|---|---|
| International Growth | 303.5 | 324.0 | — | .97 |
| Income | 243.9 | 261.4 | — | 3.44 |
| Worldwide Recovery | 167.7 | 179.0 | — | 1.64 |
| American Growth | 70.8 | 75.4 | — | .90 |
| Intl. Emerging Cos. | 93.2 | 99.6 | — | .69 |
| Far East Growth Fd | 104.3 | 111.4 | — | .69 |
| European Growth Fd | 63.0 | 67.3 | — | 1.05 |

**Prolific Unit Trust Managers Limited.**
222 Bishopsgate, London EC2 01-247 7544/7

| | | | | |
|---|---|---|---|---|
| Prolific American Inc | 56.5 | 60.2 | -0.1 | 3.87 |
| Prolific C'vert & Gilt | 125.2 | 130.2 | +0.8 | 4.33 |
| Prolific Euro Cos Inc | 51.2 | 54.8 | — | 2.47 |
| Prolific Extra Inc | 127.1 | 135.3 | +0.7 | 9.38 |
| Prolific Far East | 214.8 | 229.8 | +0.8 | — |
| Prolific High Inc | 86.0 | 91.4 | +0.5 | 3.14 |
| Prolific Intl | 147.9 | 157.4 | -0.1 | 0.18 |
| Prolific N. Amer. | 126.5 | 135.3 | -1.0 | — |
| Prolific Spec. Sits | 106.7 | 113.6 | +0.9 | 0.65 |
| Prolific Technology | 145.5 | 155.7 | — | — |

**Providence Capital Fd. Mgrs. Ltd**
30 Uxbridge Road, London W12 8PG 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Inc | 98.6 | 104.9 | -0.3 | — |
| Japan Acc | 98.8 | 105.2 | -0.3 | — |
| Worldwide Inc | 77.4 | 82.0 | -0.2 | 1.08 |
| Worldwide Acc | 78.9 | 83.5 | -0.2 | 1.08 |
| European Tst Inc | 91.3 | 97.2 | -0.9 | 0.34 |
| European Tst Acc | 92.0 | 97.9 | -0.9 | 0.34 |
| North American Inc | 60.8 | 64.7 | -0.3 | 1.35 |
| North American Acc | 61.5 | 65.5 | -0.3 | 1.35 |
| UK Equity Inc | 87.3 | 92.4 | +0.9 | 1.78 |
| UK Equity Acc | 91.2 | 96.4 | +1.0 | 1.78 |
| UK High Inc Eqty Inc | 65.2 | 69.1 | +0.3 | 4.42 |
| UK High Inc Eqty Acc | 66.5 | 70.4 | +0.5 | 4.42 |
| Hong Kong Trust | 47.3 | 50.1 | +0.4 | 0.35 |
| Swiss Equities Trust | 47.3 | 50.1 | +0.4 | 1.01 |

**Provident Mutual Unit Trust Managers Ltd.**
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

| | | | | |
|---|---|---|---|---|
| PM Equity Growth | 106.9 | 113.8 | +0.5 | 0.65 |
| PM Income and Growth | 95.3 | 101.4 | +0.4 | 3.15 |
| PM N American Growth | 49.9 | 53.0 | +0.1 | 0.38 |
| PM European Growth | 45.4 | 48.2 | -0.9 | 0.62 |
| PM Japan Growth | 69.0 | 73.3 | -0.5 | 0.36 |
| PM Overseas Growth | 50.1 | 53.2 | -0.1 | 0.47 |

[illegible]

# INSURANCES

[illegible]

Contd. on next Page

# FT UNIT TRUST INFORMATION SERVICE

**M & G Group—Contd.**

| | | | | |
|---|---|---|---|---|
| Managed (Acc) | 447.7 | 470.3 | | — |
| PPP Fund (Cap) | 313.3 | 329.1 | +0.9 | — |
| PPP Fund (Acc) | 437.7 | 459.7 | +1.7 | — |
| Pacific (Cap) | 262.0 | 275.2 | +1.8 | — |
| Pacific (Acc) | 366.0 | 384.5 | +2.6 | — |
| Property (Cap) | 132.2 | 138.9 | | — |
| Property (Acc) | 184.6 | 194.0 | +0.2 | — |
| Recovery (Cap) | 211.2 | 221.9 | +0.8 | — |
| Recovery (Acc) | 295.1 | 310.0 | +1.4 | — |
| UK Income (Cap) | 119.9 | 126.0 | +1.0 | — |
| UK Income (Acc) | 167.5 | 175.9 | +1.4 | — |
| Personal Pension (Acc) | — | 1755.6 | +6.6 | — |

**MGM Assurance**
MGM House, Heene Rd, Worthing 0903 204631

| | | | | |
|---|---|---|---|---|
| UK Equity | 232.3 | 244.6 | +1.9 | — |
| Do. Accum | 260.2 | 273.9 | +2.1 | — |
| Special Situations | 209.8 | 220.9 | +0.6 | — |
| Do. Accum | 235.2 | 247.6 | +0.6 | — |
| North American | 173.4 | 182.6 | −0.6 | — |
| Do. Accum | 194.4 | 204.7 | −0.6 | — |
| Pacific Basin | 317.9 | 334.7 | −0.6 | — |
| Do. Accum | 356.3 | 375.1 | −0.7 | — |
| Fixed Interest | 217.4 | 228.9 | −0.8 | — |
| Do. Accum | 243.5 | 256.4 | −1.0 | — |
| Property | 117.6 | 123.8 | — | — |
| Do. Accum | 132.7 | 138.7 | — | — |
| Deposit | 112.4 | 118.4 | | — |
| Do. Accum | 126.0 | 132.7 | +0.1 | — |
| Managed | 213.6 | 224.9 | +0.5 | — |
| Do. Accum | 240.3 | 253.0 | +0.6 | — |
| Bonus Gwth Fd Acc | 95.1 | 100.1 | — | — |
| **Pension Funds** | | | | |
| Pensions Equity | 253.5 | 266.9 | +2.6 | — |
| Do. Accum | 307.5 | 323.7 | +3.2 | — |
| Pens. Spec. Sits. | 234.5 | 246.9 | +1.0 | — |
| Do. Accum | 284.6 | 297.6 | +1.1 | — |
| Pens. North American | 182.0 | 191.6 | −0.8 | — |
| Do. Accum | 220.8 | 232.5 | −0.9 | — |
| Pens. Pacific Basin | 348.9 | 367.3 | −1.0 | — |
| Do. Accum | 423.3 | 445.6 | −1.2 | — |
| Pens. Fixed Int. | 228.2 | 240.3 | −0.9 | — |
| Do. Accum | 276.9 | 291.5 | −1.2 | — |
| Pens. Property | 118.6 | 124.9 | — | — |
| Do. Accum | 143.8 | 151.4 | — | — |
| Pens. Deposit | 119.8 | 126.2 | — | — |
| Do. Accum | 145.3 | 153.0 | — | — |
| Pens. Managed | 234.6 | 247.0 | +0.7 | — |
| Do. Accum | 284.1 | 299.1 | +0.7 | — |

**Manufacturers Life Insurance Co (UK)**
St George's Way, Stevenage 0438 356101

[illegible]

**National Mutual of Australasia**
Serpentine Rd, Poole, Dorset 0202 680666

| | | | | |
|---|---|---|---|---|
| Fixed Interest | 136.34 | 143.51 | | — |
| Guaranteed Deposit | 118.38 | 124.60 | | — |
| Managed | 153.44 | 161.51 | | — |
| Property | 138.75 | 146.05 | | — |
| UK Equities | 189.56 | 199.53 | | 0.41 |
| Pens Fixed Interest | 128.01 | 134.74 | | — |
| Pens Gtd Deposit | 119.21 | 125.48 | | — |
| Pens International | 202.07 | 212.70 | | — |
| Pens Managed | 165.27 | 173.96 | | — |
| Pens Property | 155.62 | 163.80 | | — |
| Pens UK Equities | 169.70 | 178.63 | | — |
| International | 185.36 | 195.11 | | — |
| Nth American Fund | 151.06 | 159.00 | | — |
| Far East Pacific Fd | 179.66 | 189.11 | | — |
| Japan Fund | 259.82 | 273.49 | | — |
| European Fund | 195.93 | 206.24 | | — |

**National Provident Institution**
48 Gracechurch St, London EC3P 3HH 01-623 4200

| | | | | |
|---|---|---|---|---|
| Managed | 300.9 | 316.8 | +0.7 | — |
| UK Equity | 402.6 | 423.8 | +2.3 | — |
| Overseas Eq. | 283.6 | 298.6 | +0.1 | — |
| American | 229.3 | 241.4 | −0.9 | — |
| Far East | 336.9 | 354.7 | −1.6 | — |
| Property | 137.6 | 144.9 | +0.2 | — |
| Fixed Int. | 212.2 | 223.4 | −0.3 | — |
| Indexed Gilt | 119.0 | 125.3 | +0.1 | — |
| Deposit | 132.9 | 139.9 | | — |
| **Pension Fund Prices** | | | | |
| Man. Initial | 315.1 | 331.7 | +1.1 | — |
| Man Acc. | 379.5 | 399.5 | +1.3 | — |
| UK Eq. Initial | 405.0 | 426.4 | +3.0 | — |
| UK Eq. | 476.4 | 501.5 | +3.6 | — |
| Overseas Eq. Initial | 351.5 | 370.1 | −0.7 | — |
| Overseas Eq. | 438.8 | 461.9 | −0.8 | — |
| American Initial | 248.3 | 261.4 | +1.1 | — |
| American | 296.5 | 312.2 | +1.4 | — |
| Far East Initial | 470.0 | 494.8 | −2.6 | — |
| Far East | 559.5 | 589.0 | −3.1 | — |
| Prop. Initial | 131.1 | 138.0 | +0.3 | — |
| Prop. | 156.0 | 164.3 | +0.3 | — |
| Fixed Int. Initial | 191.6 | 201.7 | −0.3 | — |
| Fixed Int. | 228.0 | 240.0 | −0.2 | — |
| Indexed Gilt Initial | 108.3 | 114.2 | +0.1 | — |
| Indexed Gilt | 127.5 | 134.3 | +0.1 | — |
| Deposit Initial | 133.5 | 140.6 | | — |
| Deposit | 160.4 | 168.9 | +0.3 | — |

**NPI Pensions Management Ltd**

| | | | | |
|---|---|---|---|---|
| Managed Fund | 902.2 | 912.5 | — | — |

Prices May 1. Next dealing June 1.

[illegible]

## OFFSHORE AND OVERSEAS

[illegible]

## MANAGEMENT SERVICES

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1987 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 100½ | 99⅞ | Treas. 10pc 1987 | 100⅛xd | ..... | 9.99 | 8.88 |
| 99⅝ | 97⅞ | Treas 3pc 1987 | 99⅞ | ..... | 3.02 | 7.62 |
| 101⅞ | 100⅝ | Treas. 12pc 1987 | 101⅝ | ..... | 11.81 | 8.23 |
| 99⅝ | 97⅞ | Treas 7¾pc 1985-88‡‡ | 99⅞ | −⅛ | 7.77 | 8.20 |
| 102¼ | 99⅞ | Exch 10½pc '88 | 101⅞xd | ..... | 10.30 | 8.39 |
| 101⅞ | 98⅞ | Treas 9¾pc Cv '88 | 101⅛xd | −⅛ | 9.63 | 8.46 |
| 96⅝ | 93⅛ | Transport 3pc '78-88 | 96⅝ | ..... | 3.10 | 6.05 |
| 101⅝ | 98⅛ | Treas. 9½pc '88 | 101⅛ | −⅛ | 9.38 | 8.50 |
| 105⅞ | 101⅛ | Treas 11½pc 1989 | 104⅞ | +⅛ | 10.99 | 8.58 |
| 102⅛ | 97⅞ | Treas 9½pc Cnv 1989 | 101⅝ | +⅛ | 9.35 | 8.56 |
| 96⅝ | 89⅝ | Treas 3pc 1989 | 94⅞xd | +⅛ | 3.18 | 5.97 |
| 104⅝ | 99⅞ | Treas 10½pc 1989 | 103⅞xd | +⅛ | 10.14 | 8.60 |
| 103⅛ | 98⅝ | Exch.10pc 1989 | 102⅝ | +⅛ | 9.74 | 8.68 |
| 105⅝ | 100⅝ | Exch 11pc 1989 | 104⅞ | +⅛ | 10.49 | 8.62 |
| 95⅞ | 89⅛ | Treas 5pc 1986-89 | 95⅞ | +⅛ | 5.24 | 7.04 |
| 108⅛ | 100⅛ | Exch 10¼pcCv '89 | 106⅞xd | +⅛ | 9.58 | 7.10 |
| 111⅛ | 105⅝ | Treas 13pc 1990‡‡ | 110⅛ | +⅛ | 11.81 | 8.65 |
| 106½ | 100⅞ | Exch 11pc 1990‡‡ | 105⅛ | +⅛ | 10.42 | 8.66 |
| 110⅛ | 104⅞ | Exch. 12¼pc 1990 | 109⅛ | +⅛ | 11.41 | 8.62 |
| 91⅞ | 84½ | Treas. 3pc 1990 | 91⅝xd | ..... | 3.27 | 6.12 |
| 100⅛ | 93⅞ | Treas 8¼pc 1987-90‡‡ | 99⅞xd | ..... | 8.27 | 8.32 |
| 105 | 97½ | Treas. 10pcCv 1990 | 104 | +⅛ | 9.62 | 8.61 |
| 89⅞ | 81⅛ | Exch 2½pc 1990 | 89⅞xd | +⅛ | 2.80 | 5.88 |
| 110½ | 103⅝ | Treas 11¾pc 1991 | 109⅞ | +⅛ | 10.74 | 8.67 |
| 95⅞ | 87⅝ | Funding 5¾pc '87-91‡‡ | 95⅞ | +⅛ | 6.04 | 7.16 |
| 89⅛ | 80⅝ | Treas. 3pc 1991 | 89⅛xd | +⅛ | 3.37 | 6.17 |
| 110⅝ | 100⅛ | Treas 10pc Cv '91 ‡‡ | 108½ | +⅛ | 9.20 | 7.52 |
| 109⅝ | 101⅝ | Exch. 11pc 1991 | 108⅝ | +⅛ | 10.12 | 8.59 |
| 116⅛ | 108⅛ | Treas 12¾pc 1992‡‡ | 115⅞ | +⅛ | 11.05 | 8.67 |
| 106⅛ | 97⅞ | Treas 10pc 1992 | 105⅛ | +⅛ | 9.52 | 8.66 |
| 49½ | 47⅞ | Treas. 8pc 1992 ‡‡(50pd) | 47⅞ | +⅛ | 8.15 | 8.47 |
| 108⅞ | 99⅞ | Treas 10¼pc Cv 1992‡‡ | 107⅛ | +⅛ | 9.80 | 8.69 |

Five to Fifteen Years

| 1987 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 115⅝ | 106⅝ | Exch. 12¼pc '92 | 114⅛ | +⅛ | 10.72 | 8.80 |
| 121⅛ | 111⅛ | Exch 13½pc 1992 | 119½ | +⅛ | 11.30 | 8.82 |
| 107⅛ | 97⅞ | Treas 10pc 1993‡‡ | 105⅞ | +⅛ | 9.48 | 8.78 |
| 118⅛ | 108⅞ | Treas 12½pc 1993‡‡ | 117⅛ | +⅛ | 10.68 | 8.83 |
| 95⅝ | 82⅝ | Funding 6pc 1993‡‡ | 95⅛ | −⅛ | 6.27 | 6.85 |
| 125⅛ | 114⅞ | Treas 13¾pc 1993‡‡ | 123⅝xd | +⅛ | 11.10 | 8.94 |
| 129⅞ | 119⅛ | Treas 14½pc 1994‡‡ | 128⅛ | +⅛ | 11.30 | 8.84 |
| 124⅞ | 113⅞ | Exch 13½pc 1994 ‡‡ | 123⅛ | +⅛ | 10.95 | 8.92 |
| 107⅝ | 97⅞ | Treas. 10pc Ln. 1994 | 106⅛ | +⅛ | 9.42 | 8.80 |
| 120⅛ | 109⅝ | Exch. 12½pc 1994 | 118⅛ | +⅛ | 10.53 | 8.92 |

## BRITISH FUNDS—Contd

Index-Linked

| 1987 High | Low | Stock | (b) | Price £ | + or − | Yield (1) | (2) |
|---|---|---|---|---|---|---|---|
| 131⅛ | 125½ | Treas. 2pc '88 | (297.1) | 130⅞ | | — | 1.59 |
| 117 | 108⅞ | Do. 2pc '90 | (333.9) | 117 | +⅞ | 0.88 | 1.86 |
| 99 | 93½ | Do. 2pc '92‡‡ | (385.8) | 99 | +⅛ | 1.91 | 2.43 |
| 128⅛ | 119⅛ | Do. 2pc '96 | (267.9) | 127⅞ | +½ | 2.99 | 3.50 |
| 111⅝ | 101⅞ | Do 2½pc '01 | (308.8) | 108⅝ | +⅛ | 3.35 | 3.71 |
| 110 | 100⅝ | Do. 2½pc '03 | (310.7) | 106⅞xd | +⅛ | 3.29 | 3.69 |
| 113⅛ | 103⅛ | Do. 2pc '06 | (274.1) | 109⅞ | +⅛ | 3.24 | 3.64 |
| 108 | 98⅝ | Do. 2½pc '09 | (310.7) | 104⅝xd | +⅛ | 3.22 | 3.56 |
| 113⅞ | 103⅛ | Do. 2½pc '11 | (294.1) | 109⅞ | +⅛ | 3.28 | 3.52 |
| 95⅛ | 86⅛ | Do. 2½pc '13 | (351.9) | 91⅞ | +⅛ | 3.25 | 3.47 |
| 103⅛ | 94 | Do. 2½pc '16 | (322.0) | 99⅞ | +⅛ | 3.06 | 3.42 |
| 101⅛ | 91⅞ | Do. 2½pc '20 | (327.3) | 98⅛ | +⅛ | 3.17 | 3.37 |
| 86⅛ | 77⅝ | Do. 2½pc '24 ‡‡ | (385.3) | 83⅛ | +⅛ | 3.13 | 3.32 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for September 1986: 387.8 and for April 1987: 101.8 (rebased at 100 January 1987 conversion factor 3.945).

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

| 1987 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 113⅝ | 99½ | African Dv Bk 11¼Ln 2010 | 112 | +⅞ | 9.93 | 9.79 |
| 109⅝ | 95 | Asian Dev Bk 10¼pcLn2009 | 107¼ | +1 | 9.51 | 9.40 |
| 136 | 118⅝ | Australia 13½pc 2010 | 134¼ | +⅞ | 10.06 | 9.74 |
| 118¼ | 102¼ | Do. 11½pcLn2015 | 116¼ | +⅞ | 9.80 | 9.69 |
| 115⅝ | 102¼ | Euro Inv Bk 11pc Ln 2002 | 114¼ | +⅞ | 9.64 | 9.25 |
| 110⅝ | 97½ | Do. 10¼pc2004 | 109⅝ | +1 | 9.49 | 9.27 |
| 126⅝ | 112⅝ | Int-Am Dev Bk 12½pc 2003 | 124⅝ | +⅞ | 10.01 | 9.42 |
| 104⅝ | 90¼ | Do. 9¼pcLn 2015 | 102⅞xd | +⅞ | 9.48 | 9.45 |
| 97⅛ | 83 | Mlysia 10¾pcLn 2009 | 96½ | +⅛ | 11.15 | 11.17 |
| 102½ | 99⅝ | Malaysia 12¼pc '88 | 101 | ..... | 12.13 | 11.34 |
| 101⅞ | 100⅞ | NZ 14¼pc 1987 | 100⅞ | ..... | 14.13 | 8.64 |
| 115 | 100⅞ | Do. 11¼pc 2008 | 113⅞xd | +1 | 9.92 | 9.73 |
| 118⅝ | 102⅞ | Do 11½pc 2014 | 116⅞ | +1¼ | 9.84 | 9.71 |
| 176⅝ | 119½ | Sweden 13½pc Ln 2010 | 134¼ | +⅞ | 10.06 | 9.72 |
| 114⅝ | 99⅛ | Do 11pc Ln 2012 | 112¼ | +1 | 9.76 | 9.64 |
| 106 | 96½ | Utd. Mexican States 16½pc | 104⅝ | −⅛ | 15.83 | 12.67 |

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

### Building Societies

### Public Board and Ind.

### Financial

## FOREIGN BONDS & RAILS

## FOREIGN BONDS & RAILS—Contd

## AMERICANS

Continued on next page

## Money Market Bank Accounts

**Royal Bank of Scotland plc**
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201

| | | | | | |
|---|---|---|---|---|---|
| Premium Account | 7.87 | 5.92 | 8.29 | Qtr |

**Save & Prosper/Robert Fleming**
28 Western Rd, Romford RM1 3LB. 0708 66966

| | | | | |
|---|---|---|---|---|
| H.I.B.A. | 7.64 | 5.75 | 8.01 | Daily |

**Tyndall & Co**
29-33 Princess Victoria St, Bristol 0272 732241

| | | | | |
|---|---|---|---|---|
| Demand Acc | 8.08 | 6.08 | 8.52 | Qtr |
| Money Acc. | 8.30 | 6.25 | 8.76 | Qtr |
| Client Plus Acc. | 8.25 | 6.20 | 8.70 | Qtr |

**J. Henry Schroder Wagg & Co Ltd**
Enterprise House, Portsmouth 0705 827733

| | | | | |
|---|---|---|---|---|
| Special Acc | 7.25 | 5.46 | 7.67 | Mth |
| £10,000 and above | 7.50 | 5.64 | 7.94 | Mth |

**Western Trust & Savings Limited**
The Moneycentre, Plymouth PL1 1SE 0752 224141

| | | | | |
|---|---|---|---|---|
| High Int Chq Acc | 8.56 | 6.44 | 9.04 | Qtr |

**Wimbledon & South West Finance Co Ltd**
114 Newgate St, London EC1A 7AE. 01-606 9485

| | | | | |
|---|---|---|---|---|
| High Int Cheque Acc | 10.00 | 7.53 | 10.61 | Qtr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

**Yamaichi Capital Mngt (Guernsey) Ltd**
22 Smith St, St Peter Port, Guernsey. 0481 25765

| | | | |
|---|---|---|---|
| Japan Mkts Growth | $13.37 | −0.11 | — |

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| Advanced Tech | 25.76 | +0.24 | — |
| Dynamic Gwth Fd | $27.50 | +0.09 | — |

**Zero Bond Fund Limited**
PO Box 208, St Peter Port, Guernsey 0481 26268

| | | | |
|---|---|---|---|
| Zero Bond Fund | $11.97 | 12.68 | — |

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|

**Charities Aid Fndtn Money Mngmt Co Ltd**
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| CAFCASH Call Fund | 7.92 | 5.96 | 8.42 | 3-mth |
| CAFCASH 7-day Fund | 8.19 | 6.17 | 8.72 | 3-mth |

**The Charities Deposit Fund**
2 Fore Street, London EC2Y 5AQ 01-588 1815

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| Deposit | 8.8 | 9.09 | | 3-mth |

**The Money Market Trust**
63 Qn Victoria St, EC4N 4ST. 01-236 0952

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| Call Fund | 8.23 | 6.19 | 8.58 | 6mth |
| 7-day Fnd | 8.37 | 6.26 | 8.73 | 6mth |

**Oppenheimer Money Management Ltd**
66 Cannon St, EC4N 6AE. 01-236 1425

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| Call Fnd | 8.02 | 6.04 | 8.40 | 6-Mth |
| 7-day Fund | 8.25 | 6.21 | 8.64 | 6-Mth |
| Dollar | 5.69 | 4.28 | 5.95 | 6-Mth |

### UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

# LONDON SHARE SERVICE

## AMERICANS—Continued

| 1987 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 30 9/16 | 23 | Sara Lee $1 | 23½xd | –⅛ | $1.00 | — | 6.9 |
| 11 3/16 | 9 3/16 | Saul (B. F.) $1 | 9 9/16 | — | 20c | — | 1.3 |
| 79 | 62⅝ | Southwestern Bell $1 | 62⅝ | –⅞ | $6.96 | — | 6.8 |
| 17⅝ | 14½ | Staley Continental | 14½ | –⅛ | 80c | — | 3.4 |
| 44 3/16 | 36⅛ | Sun Co. Inc. $1 | 38⅛xd | +⅛ | $3.00 | — | 4.8 |
| 74 | 57⅛ | TRW Inc. $1¼ | 59½xd | +¼ | $3.20 | — | 3.3 |
| 31 | 25⅝ | Tenneco $5 | 28½xd | –⅛ | $3.04 | — | 6.5 |
| 187½ | 149½ | Do. 10pcLn.Stk. 91-5 | 182½xd | ..... | 10% | — | 5.6 |
| 26¼ | 17 3/32 | Texaco $6.25 | 21⅛xd | +⅛ | $3.00 | — | 8.5 |
| 57¼ | 47⅛ | Time Inc. $1 | 52¼ | +1 1/16 | $1.00 | — | 1.2 |
| 14½ | 11⅛ | Tracor $0.33 | 11⅝ | –⅛ | 40c | — | 2.1 |
| 24⅝ | 19⅛ | Transamerica $1 | 19⅛xd | –1/16 | $1.76 | — | 5.6 |
| 11 | 953p | Transworld Corp $5 | 953p | –20 | 20c | — | 1.3 |
| 42¼ | 29⅛ | TRINOVA Corp. | 39¼xd | ..... | $1.00 | — | 1.6 |
| 19⅝ | 15 3/16 | ♥USX $1 | 19 1/16 | +1/16 | $1.20 | — | 3.9 |
| 18¾ | 15 3/16 | Union Carbide $1 | 17⅛ | –1/16 | $1.50 | — | 5.3 |
| 35 5/16 | 26⅛ | Utd. Technologies | 27 5/16xd | +1/16 | $1.40 | — | 3.1 |
| 38⅝ | 29 | US West | 29 | –¾ | $3.28 | — | 6.9 |
| 33 7/16 | 26 | ♥Woolworth $3½ | 27 13/16 | –⅛ | $1.32 | — | 2.9 |

## CANADIANS

| 1987 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 23p | 16p | ♥Abbot Energy Corp. | 17¼p | –¼ | — | — | — |
| 25¼ | 10⅛ | ♥Amer. Barrick Res. | 25¼ | +¼ | — | — | — |
| 955p | 36p | Armeno | 103p | +2 | — | — | — |
| 19⅞ | 15 | Bk. Montreal | 15 | ..... | $2.00 | — | 5.8 |
| 10½ | 780p | Bk. Nova Scot. | 780p | ..... | 72c | — | 4.0 |
| 20⅝ | 18 | BCE | 18⅜ | ..... | $2.40 | — | 5.7 |
| 960p | 712p | ♥Bow Valley | 919p | ..... | 40c | — | 1.9 |
| 19¼ | 12⅝ | ♥Brascan | 16¼ | ..... | 88c | — | 2.3 |
| 609p | 277p | ♥Breakwater Res. | 450p | +2 | — | — | — |

## BANKS, HP & LEASING

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS—Cont

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY AND STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

## INSURANCES

# LONDON SHARE SERVICE

## INSURANCES—Continued

## LEISURE

## MOTORS; AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PAPER, PRINTING—Continued

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TEXTILES—Cont.

## TOBACCOS

## TRUSTS, FINANCE, LAND

Investment Trusts

## FINANCE, LAND—Cont.

Finance, Land, etc

## OIL AND GAS

## OIL AND GAS—Continued

## OVERSEAS TRADERS

## PLANTATIONS

Rubbers, Palm Oil

Teas

## MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

## MINES—Continued

Tins

Miscellaneous

| 1987 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 90 | 21 | ♥Colby Res Corp. | 77½ | +2 | — | — | — | |
| 250 | 162 | Cons. Murch. 10c | 250 | +5 | Q60c | 4.4 | 7.4 | |
| 71 | 38 | ♣Ennex Int. Ir10p | 67 | –1 | — | — | — | |
| 318 | 151 | Greenwich Res. | 313 | –3 | — | — | — | |
| £12⅛ | 963 | Hemlo Gold Mines | £11⅞ | –⅛ | — | — | — | |
| 355 | 190 | ♥Highwood Res. | 290 | +2 | — | — | — | |
| £24½ | £16⅛ | Homestake Mining $1 | £22½ | –¼ | Q20c | — | 0.5 | |
| 442 | 150 | ♥McFinley Red Lake | 378 | –9 | — | — | — | |
| 156 | 86 | ♥Musto Explorations | 156 | +29 | — | — | — | |
| 100 | 37½ | ♥New Sabina Res C$1 | 89 | +3 | — | — | — | |
| 580 | 200 | Northgate C$1 | 556 | +8 | — | — | — | |
| 237 | 104 | Nor-Quest Resources | 165 | +1 | — | — | — | |
| £11¼ | 698 | RTZ | £11⅛xd | +⅛ | 23.5 | ♦ | 2.9 | |
| £231¼ | £113¼ | Do. 9½pcLn '95-2000 | £230¼xd | +3 | Q9½% | 15.5 | 14.2 | |

## THIRD MARKET

| 1987 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 475 | 180 | Abelson Group 10p | 390xd | +10 | 3.5 | 2.7 | 1.2 | 41.9 |
| 35 | 28 | Aberdeen Am Pet 10p | 32 | ...... | — | — | — | — |
| 125 | 110 | Allied Ins. Brokers | 123xd | –1 | L3.5 | 2.5 | 4.0 | 14.3 |
| 15 | 9 | Ardmore Pet. 'A' | 14 | ...... | — | — | — | — |
| 73 | 45 | Catalyst Comms. 5p | 72 | –1 | — | — | — | — |
| 98 | 47 | Corton Beach 10p | 86 | ...... | 0.4 | ♦ | 0.6 | ♦ |
| 178 | 150 | Crown Eyeglass 5p | 177 | ...... | — | — | — | — |
| 205 | 102 | Edenspring Investment | 205 | +5 | | — | — | — |
| *62 | 30 | Eglinton Oil Ir.5p | 35 | ...... | — | — | — | — |
| 41 | 17 | Do. Warrants | 22 | –1 | — | — | — | — |
| 46 | 17 | Publishing Hldgs.5p | 39 | –1 | — | — | — | 22.6 |
| 58 | 45½ | Theme Holdings | 51 | ...... | 1.0 | ♦ | 2.7 | ♦ |
| 138 | 111 | Unit Group | 115 | ...... | R4.6 | 2.5 | 5.5 | (8.2) |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 78xd | +2 | Fin. 13% 97/02 | £110⅝ | ..... |
| Craig & Rose £1 | £16¼ | ... | Arnotts | 373xd | ..... |
| Finlay Pkg. 5p | 82xd | +1 | CPI Hldgs | 58 | ..... |
| Holt (Jos) 25p | 938xd | ..... | Carrol Inds. | 130 | –1 |
| IoM Stm. £1 | 109 | ..... | Dublin Gas | 18 | ..... |
| | | | Hall (R. & H.) | 98 | –2 |
| IRISH | | | Heiton Hldgs. | 29 | ..... |
| Fund 11¼% 1988 | £100⅛ | ..... | Irish Ropes | 165 | ..... |
| Nat. 9¾% 84/89 | £98⅞ | ..... | Unidare | 360 | ..... |

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 35 | NEI | 8 |
| Amstrad | 16 | Nat West Bk | 55 |
| BAT | 47 | P & O Dfd | 55 |
| BOC Grp | 42 | Plessey | 20 |
| BSR | 12 | Polly Peck | 20 |
| BTR | 30 | Racal Elect | 20 |
| Babcock | 19 | RHM | 30 |
| Barclays | 47 | Rank Org Ord | 55 |
| Beecham | 48 | Reed Intnl | 42 |
| Blue Circle | 62 | STC | 20 |
| Boots | 25 | Sears | 12 |
| Bowaters | 37 | TI | 55 |
| Brit Aerospace | 58 | TSB | 8 |
| Brit. Telecom | 20 | Tesco | 42 |
| Burton Ord | 23 | Thorn EMI | 50 |
| Cadburys | 22 | Trust Houses | 20 |
| Charter Cons. | 30 | Turner Newall | 24 |
| Comm Union | 29 | Unilever | 150 |
| Courtaulds | 35 | Vickers | 55 |
| FNFC | 20 | Wellcome | 50 |
| Gen Accident | 80 | **Property** | |
| GEC | 18 | Brit Land | 17 |
| Glaxo | 110 | Land Securities | 30 |
| Grand Met | 40 | MEPC | 32 |
| GUS 'A' | 100 | Peachey | 30 |
| Guardian | 85 | **Oils** | |
| GKN | 30 | BOM | 3½ |
| Hanson Tst | 15 | Brit Petroleum | 60 |
| Hawker Sidd | 50 | Burmah Oil | 38 |
| ICI | 80 | Charterhall | 4 |
| Jaguar | 52 | Premier | 4 |
| Ladbroke | 40 | Shell | 75 |
| Legal & Gen | 25 | Tricentrol | 11 |
| Lex Service | 35 | Ultramar | 17 |
| Lloyds Bank | 48 | **Mines** | |
| Lucas Inds | 55 | Cons Gold | 65 |
| Marks & Spencer | 18 | Lonrho | 24 |
| Midland Bk | 55 | Rio T Zinc | 65 |
| Morgan Grenfell | 35 | | |

A selection of Options traded is given on the London Stock Exchange Report Page.

# Consumer issues lead strong rise in equities and Gilt-edged stocks move higher

**Account Dealing Dates**

| *First Dealings | Option Declarations | Last Dealings | Account Day |
|---|---|---|---|
| May 11 | May 28 | May 29 | Jun 8 |
| Jun 1 | Jun 11 | Jun 12 | Jun 22 |
| Jun 15 | Jun 25 | Jun 26 | July 6 |

* New time dealings may take place from 9.00 am two business days earlier.

The optimists occupied the centre of the stage in the UK securities markets yesterday, as share prices swept higher to clear new peaks, encouraged by the progress of the Government's election campaign, the strong growth in UK retail sales and a batch of good trading figures from major companies.

While buying was characterised as persistent rather than heavy, it was clear that the unwillingness of investors to sell shares ahead of the election had provided a launching pad for a further advance.

The FT-SE 100 index opened higher and quickly cleared the 2,200 mark. Share prices ended a shade off the top as Wall Street made a cautious start, with the FT-SE 100 index finally a net 22.2 higher at 2,214.3, a new all-time high. Also at a new peak was the FT Ordinary, up 22.6 at 1,719.0.

Some foreign interest was reported, particularly in the Gilt-edged sector, where it helped remove the Government stock overhanging the market. But in equities, domestic buyers took the lead. Consumer and brewery issues responded well to the indications from the retail sales figures that cosumer spending remains strong.

Hints of impending Japanese demand continued to lift the UK banking sector. Oil shares looked cautious behind recent weakness on Wall Street, but some other internationals moved higher.

Unilever continued to respond to excellent results while other big names on the plus list included Imperial Chemical Industries, Glaxo and Fisons.

The Gilt-edged sector had a very good session, once it had brushed off some initial hesitation. Early losses of ⅛ or so were later replaced by net gains ranging to around ⅝.

Turnover in Gilts was moderate but traders said that the bull positions overhanging the sector since last week's £2bn Treasury sales had been cleared away. With the pound still very firm, the chances of another base rate cut before Election Day, June 11, remain high.

British Airways were actively traded (around 20m shares) and settled 2 cheaper on the day at 163p despite announcing annual figures some £17m above the prospectus forecast of £145m pre-tax. Ananlysts' estimates had ranged around th 150m mark.

Meanwhile, Rolls-Royce (RR), te latset Government privatisation issue, looked to be assured of a hefty premium when first time dealings commence today. Cleveland Securities. The licensed dealers, were quoting a price of 138½p for RR in the grey market dealings, compared with th partly-paid issue price of 85p.

Cadbury Schweppes were one of the day's most active features with some 27m shares traded as General Cinemas of the US, which holds an 8.5 per cent stake, revealed details of debt restructuring in the form of a £100m Euro-Sterling bond issue exchangeable for Cadbury-Schweppes shares or cash.

The Cadbury Schweppes share price see-sawed during the morning dipping to 247p at one stage reflecting confusion over General Cinema's intentions; subsequently the Cadbury price rallied strongly on the view that the company remains a potential takeover target and the close was 1½ up on the day at 253½p.

Allied-Lyons stood out in a versatile Brewery sector. Annual profits of nearly £341m exceeded estimates and the shares bounded forward enthusiastically to 445p before professional investors began to realise short-term gains. News of an encouraging analysts meeting failed to restore faith and the price drifted back to close a mere penny up on the day at 431p.

Sector analyst Nigel Popham at Morgan Grenfell says rising tax charges will slow earnings growth this year but the prospective p/e remains on the low side for a group of international status. He forecasts that Allied-Lyons will make £460m in the current period.

Guinness shares jumped 11 to 361p, a vote of confidence from the market after the Bank Leu 40m share stake was sold to institutions at 352p.

Stockbroker James Capel took the Guinness shares in a bought deal, and placed them with ease. The ready demand from th institutions augured well for hopes for disposal of other Guinness stakes overhanging th maret.

Another wave of overseas buying interest in the financial sector, allied to strong UK buying on the view that the sector has been overlooked during the recent advance by equities, took banks and insurances sharply higher.

Overseas buyers were quickly on the scene at the outset of trading, when Japanese investment houses were said to be aggressive supporters of the clearing banks. Demand continued throughout the day and picked up strongly after-hours when share prices made further progress to close at around the day's best levels. NatWest, easily the best performer in banks in recent days, remained the favourite in the clearers and jumped 30 to 703p reflecting its relatively low level of exposure to South American debt worries. Lloyds spurted 31 to 585p and Barclays 16 to 578p as the US placing of shares got underway. Midland, despite persistent rumours that a big rights issue is on the cards for Friday, moved up 15 to 703p. In Merchant Banks Guinness Peat gained 4 to 108p following interim profits well above market expectations.

Insurances were heavily bought by overseas investors with US houses placing particular emphasis on Royals which jumped 31 to 966p. General Accident—up 22 at 985p—and Guardian Royal—26 higher at 965p—were equally well supported.

Regional Brewers came into focus as speculation revived of their vulnerability to larger predators. After announcing uninspiring first-half figures late on Tuesday, Matthew Brown soared 78 to 669p on stories that near-30 per cent stakeholder Scottish and Newcastle (S&N) was about to launch another bid. Over two years ago Matthew Brown strenuously defended itself in a prolonged battle with S&N. The latter lost 12 to 251p yesterday. Young "A" jumped 70 to 475p in a very thin market, the preliminary statement is due on May 28, while Greenall Whitley rose 8 to 273p and Wolverhampton & Dudley 9 to 344p. In front of today's interim results, Bass improved to £10¼.

Institutional demand persisted for leading Building issues. Redland moved up 14 to 506p, while RMC gained a similar amount to 920p. Tarmac rose 17 to 585p amid reports of Japanese buying. John Laing were a shade dearer at 509p on news that the company had been awarded the £100m contract for work at the Sizewell "B" nuclear power station in Suffolk. Elsewhere Countryside continued to attract buyers and, in a restricted market, rose 15 more to 800p. Stanley Miller touched 123p on takeover speculation prior to closing 10 higher at 120p, but McCarthy and Stone shed 12 to 448p, after 463p, reflecting profit-taking in the wake of the interim figures. Cakebread Robey responded to the annual results with an improvement of a couple of pence at 127p, while Bellway, still on disposal news, rose 10 afresh to 238p.

ICI, helped by good figures from its Australian subsidiary, rose ⅜ to £14¼. Elsewhere in the Chemical sector, Reabrook jumped 32 to 210p on the announcement that the company is in talks with Yule Catto which may lead to an offer.

The better than expected provisional retail sales figures for April announced on Monday continued to boost the stores sector which made further rapid progress. Storehouse, due to announce full-year results on June 2, gained 10 to 329p. Ratners put on 14 to 375p, reflecting the recent excellent results. Fine Art Development were outstanding and soared 18 to 295p in the wake of the 55 per cent jump in profits. Top Value, on the other hand, dropped 14 to 93p; the doubled profits were widely expected and the shares attracted persistent profit-taking. E. Upton jumped 27 to 96p on a mixture of recovery hopes and talk of expansion plans at the company. Underwoods, due to announce preliminary figures tomorrow, hardened 7 to 205p.

GEC were a much quieter market and, after initially edging up to 245p, turned easier in profit-taking to close 2½ off at 240p following a turnover of 10m shares. Plessey, due to announce preliminary results on May 28, hardened a couple of pence to 236p. Thorn EMI put on 8 to 698p.

Engineers provided a number of good features. Renewed investment demand left APV Baker 25 to the good at 710p. Telfos advanced 25 to 120p on the change in stakeholding, while Chillington rose 19 to 185p. Rotork, reflecting Meggitt bid hopes, advanced 9 to 214p. IMI improved 6 to 235½ helped by the encouraging tenor of the chairman's statement at the meeting.

J. Sainsbury's excellent annual profits and the added sweetner of a 100 per cent scrip issue still failed to satisfy the market and the share price dipped 21 to 534p. Dee Corporation were depressed by adverse Press comment and settled 12 lower at 229p, but Bejam gained 8 to 198p on mounting takeover speculation, while Normans, reflecting the Rainbow Corporation stake, gained 5 more to 82½p. Elsewhere, Alpine Soft Drinks put on 11 to 56p despite the company's denial of any bid approaches.

Boots, encouraged afresh by the good April retail figures, met with further buying interest and moved further ahead to close 9½ higher at 318½p in a volume of some 5.3m shares. Elsewhere in the miscellaneous industrial leaders, Unilever continued to respond to the bumper first quarter results with a further gain of ¾ at £30¾. Glaxo edged a little highmer to close at £15⅞. Wellcome rose 12 to 471p on a Press report suggesting that an American medical magazine is expected to publish an encouraging article on the company's aids drug Retrovir. Disappointing interim figures left J. Bibby down 15 at 245p, but LDH, still reflecting the change in stakeholdings, jumped 25 further to 55p. James Wilkes rose 30 to 230p on the appointment of a new board of directors. At the same time the company stated that it was carrying out an evaluation of each trading subsidiary and is also investigating areas suitable for growth by acquisition. In contrast, Manchester Ship Canal reacted smartly to close 2½ lower at £12½ in response to the statement from the company that it knows of no reason for the recent rise in its share price. Dealings resumed in DSC at 300p compared with a suspension price of 96p on the announcement of expansion plans to be funded via a £2.6m rights issue.

Robert Maxwell's £1.2bn hostile bid for US publisher Harcourt Brace Jovanovich aroused fears of a placing of BPCC stock to help finance the deal and the prices weakened 19 to 299p. Elsewhere, Bemrose advanced 12 to 264p and David S. Smith 7 more to 334p, the latter still on expansion potential.

The Property leaders made further strong progress as the rerating of the sector continued in the wake of Land Securities' recent excellent results. Land Securities forged ahead to close 17 higher at 502p, while MEPC, interim results due on June 3, gained 20 to 475p. British Land were 6 higher at 258p and Peachey 5 up at 436p. Hammerson A rose 20 to 570p. Wates City of London were in demand at 225p, up 12. Dencora firmed 7 to 158p following the annual results, full listing and rights issue proposals.

Ocean Transport attracted fresh support and with stock coming out at the moment the price rose 7 more to 332p. New Zealand entrepreneur Ron Brierley holds a 29.9 per cent stake and bid unsuccessfully for the group last year.

Continued institutional support raised Courtaulds 18 to a peak 466p, while other strong performers in the Textile sector included Leeds, up 25 at 370p, and Dawson International, 11 higher at 297p. Excellent annual figures stimulated Readicut International, 3 dearer at 76½p, and increased interim profits lifted Tomkinsons 10 to 465p. Early's of Witney emerged from a quiet spell, gaining 7 to 148p, but profit-taking brought Dura Mill back 7 to 210p.

Security house Smith New Court responded to newspaper comment, rising 8 to 200p, but Harvey and Thompson remained at 390p after news of the £1.6m fund raising via an open offer to shareholders. British and Commonwealth improved 8 to 442p and AC Holdings progressed 30 further to 703p.

Oils were subdued. Shell drifted off to close ⅛ off at £13¼, but BP managed to edge up a couple of pence to 351p. Britoil attracted US support and rose 10½ to 277½p. British Gas eased 1¼ to 112¼.

## FINANCIAL TIMES STOCK INDICES

| | May 19 | May 18 | May 15 | May 14 | May 13 | Year ago | 1987 High | 1987 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 92.43 | 92.32 | 92.62 | 92.92 | 93.02 | 91.73 | 93.32 (8/5) | 84.49 (6/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 97.77 | 97.82 | 98.07 | 98.05 | 98.54 | 96.82 | 98.54 (13/5) | 90.23 (2/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1719.0 | 1696.4 | 1691.6 | 1684.2 | 1,680.5 | 1,305.0 | 1,719.0 (19/5) | 1,320.2 (2/1) | 1,719.0 (19/5/87) | 49.4 (26/6/40) |
| Gold Mines | 433.3 | 444.1 | 429.9 | 420.8 | 421.4 | 228.6 | 485.0 (14/4) | 288.2 (19/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 3.35 | 3.40 | 3.39 | 3.41 | 3.41 | 4.21 | | | | |
| Earnings Yld.%(full) | 8.09 | 8.18 | 8.18 | 8.20 | 8.20 | 10.44 | | | | |
| P/E Ratio (net) (*) | 15.21 | 15.05 | 15.04 | 15.01 | 15.00 | 11.71 | | | | |
| SEAQ Bargains (5 pm) | 48,685 | 50,314 | 49,571 | 47,513 | 46,728 | — | | | | |
| Equity Turnover (£m) | — | 1373.72 | 1739.28 | 1776.53 | 1,522.47 | 396.53 | | | | |
| Equity Bargains | — | 63,477 | 60,949 | 61,468 | 61,260 | 21,452 | | | | |
| Shares Traded (ml) | — | 574.3 | 693.7 | 705.5 | 609.7 | 187.6 | | | | |

**S.E. ACTIVITY**

| Indices | May 18 | May 15 |
|---|---|---|
| Gilt Edged Bargains | 137.7 | 143.4 |
| Equity Bargains | 411.3 | 394.9 |
| Equity Value | 2776.6 | 3515.5 |
| 5-Day Average | | |
| Gilt Edged Bargains | 155.1 | 165.7 |
| Equity Bargains | 409.0 | 409.4 |
| Equity Value | 3238.7 | 3282.2 |

♥ Opening 1700.5 | 10 a.m. 1710.7 | 11 a.m. 1711.9 | Noon 1714.2 | 1 p.m. 1714.6 | 2 p.m. 1716.2 | 3 p.m. 1715.9 | 4 p.m. 1718.3

Day's High 1719.3. Day's Low 1700.5. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=14.87.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## Traded options

Activity in traded options picked up substantially with interest boosted by the strong advance by equity markets and today's start of dealings in Rolls-Royce. Calls totalled 49,604 and puts 16,482 giving an aggregate of 66,086 contracts.

## Traditional Options

- First dealings May 18
- Last dealings May 29
- Last declaration August 20
- For Settlement Sept 1

*For rate indications see end of Unit Trust Service*

Stocks dealt in for the call included Bridon, Consolidated Gold Fields, Arenson, Rotaprint, Property Trust, Sound Diffusion, GEC, KCA Drilling, Barker and Dobson, ASDA-MFI, Belhaven, Priest Marians, Senior Engineering, NMC, Fairline Boats, Hazlewood Foods, British Telecom, Abaco, Polly Peck, Vickers, British Benzol, Ladbroke, Burton, Noble and Lund, Bennett and Fountain and Prestwich. Puts were arranged in Hazlewood Foods and Fairline Boats, but no double options were reported.

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing price | Day's change | Stock | Volume 000's | Closing price | Day's change |
|---|---|---|---|---|---|---|---|
| ASDA-MFI | 11,000 | 178 | +2 | Jaguar | 2,900 | 534 | — |
| Allied Lyons | 8,100 | 431 | +1 | Ladbroke | 2,100 | 421 | +4 |
| Amstrad | 3,000 | 208 | +1 | Land Securities | 4,350 | 502 | +17 |
| Assoc. Brit. Foods | 2,500 | 390 | −7 | Legal & Gen. | 2,100 | 309 | +2 |
| Argyll Group | 753 | 450 | −8 | Lloyds Bank | 2,800 | 585 | +31 |
| BAT | 2,300 | 557 | +9 | Lonrho | 627 | 298 | −1 |
| BET | 5,600 | 279 | +12 | MEPC | 2,600 | 475 | +20 |
| BOC | 2,300 | 467 | −4 | Marks & Spncr | 3,500 | 257 | +3 |
| BPB Inds | 485 | 770 | −1 | Midland Bank | 1,700 | 703 | +15 |
| BPCC | 7,100 | 229 | −19 | NatWest Bank | 6,200 | 703 | +30 |
| BTR | 7,300 | 323 | +8 | Next | 1,100 | 350 | +3 |
| Barclays | 2,600 | 578 | +16 | Pearson | 1,400 | 621 | −4 |
| Bass | 1,100 | £10¼ | +¼ | P & O | 1,900 | 675 | +3 |
| Beecham | 2,400 | 515 | −2 | Pilkington Bros | 655 | 859 | +5 |
| Blue Circle | 490 | 910 | +3 | Plessey | 3,700 | 236 | +2 |
| Boots | 5,300 | 318 | +9½ | Prudential | 757 | 945 | +3 |
| Brit. Airways | 19,875 | 162 | −2 | Racal | 7,100 | 257 | — |
| Brit. Aero | 1,300 | 652 | +7 | Rank Org. | 858 | 751 | −3 |
| Brit. & Comm. | 2,000 | 442 | +8 | RHM | 685 | 321 | −5 |
| Brit. Gas | 13,000 | 112¼ | −1¼ | Reckitt & Col | 249 | £11½ | −¼ |
| Britoil | 6,300 | 277½ | +10½ | Redland | 2,000 | 506 | +14 |
| BP | 3,700 | 351 | +3 | Reed Intl | 739 | 450 | +4 |
| Brit. Telecom | 7,300 | 307 | +2 | Reuters | 948 | 701 | +10 |
| Bunzl | 511 | 252 | +2 | RMC | 323 | 920 | +15 |
| Burton | 3,800 | 319 | +4 | RTZ | 1,500 | £11⅞ | +⅛ |
| Cable & Wire | 7,800 | 416 | +7 | Rowntree Mac | 411 | 526 | −4 |
| Cadbury Schwps | 27,000 | 253½ | +1½ | Ryl Bank Scotland | 1,400 | 345 | +2 |
| Coats Viyella | 625 | 642 | +10 | Royal Insurance | 3,800 | 966 | +31 |
| Comm. Union | 3,800 | 338½ | +6½ | STC | 2,200 | 300 | +1 |
| Cons. Gold | 1,200 | £10⅝ | +⅛ | Saatchi & Saatchi | 587 | 629 | −1 |
| Cookson | 5,200 | 681 | −3 | Sainsbury | 3,300 | 534 | −21 |
| Courtaulds | 1,600 | 466 | +18 | Sears | 7,340 | 165½ | +3 |
| Dee Corpn | 9,737 | 229 | −12 | Sedgwick | 1,300 | 307 | −2 |
| Dixons Grp | 7,800 | 389 | −5 | Shell Trans | 2,900 | £13¼ | −⅛ |
| English China Clays | 346 | 461 | +3 | Smith & Nephew | 1,200 | 163½ | −1 |
| Fisons | 341 | 711 | +5 | Standard Chart | 1,800 | 830 | +15 |
| Gen. Accident | 1,900 | 985 | +22 | Storehouse | 2,500 | 328 | +9 |
| Gen. Elect. | 16,000 | 240 | −2½ | Sun Alliance | 1,800 | 873 | +17 |
| Glaxo | 673 | £15⅞ | +¼ | TSB | 3,500 | 90 | +½ |
| Globe Investment | 56 | 167 | +½ | Tarmac | 4,300 | 585 | +17 |
| Granada | 5,500 | 366 | +7 | Tesco | 1,700 | 528 | −1 |
| Grand Met | 769 | 530 | +2 | Thorn EMI | 2,900 | 689 | +8 |
| GUS "A" | 409 | £14⅞ | +⅛ | Trafalgar House | 457 | 366 | −1 |
| Guardian R.E. | 863 | 965 | +26 | T'house Forte | 4,400 | 245 | +2½ |
| GK | 3,900 | 336 | +7 | Unigate | 1,300 | 410 | +14 |
| Guinness | 104,500 | 361 | +11 | Unilever | 1,200 | £30¾ | +¾ |
| Hanson Trust | 4,800 | 168½ | +1 | United Biscuits | 1,400 | 309 | −1 |
| Hawker Sidd | 718 | 535 | +19 | Wellcome | 4,300 | 471 | +12 |
| Hillsdown Hldgs | 3,100 | 278 | −4 | Whitbread "A" | 1,100 | 370 | +4 |
| ICI | 1,000 | £14¼ | +⅜ | Woolworth | 656 | 880 | +16 |

## NEW HIGHS AND LOWS FOR 1987

**NEW HIGHS (304)**

BRITISH FUNDS (3), AMERICANS (1), CANADIANS (1), BANKS (13), BREWERS (10), BUILDINGS (23), CHEMICALS (6), STORES (15), ELECTRICALS (24), ENGINEERING (27), FOODS (15), HOTELS (4), INDUSTRIALS (48), INSURANCE (4), LEISURE (9), MOTORS (4), NEWSPAPERS (2), PAPER (10), PROPERTY (25), SHIPPING (3), SHOES (2), SOUTH AFRICANS (1), TEXTILES (4), TRUSTS (43), OILS (13), OVERSEAS TRADERS (3), MINES (10), THIRD MARKET (1).

**NEW LOWS (37)**

AMERICANS (16), American Express, Anheuser-Busch, BankAmerica, Colgate-Palmolive, Dun & Bradstreet, Gen. Elect., ITT Corpn., Indico, Lone Star Inds., Lowe's, Merrill Lynch, RJR Nabisco, Staley Continental, Transamerica, Transworld Corp., US West, CHEMICALS (1), Nova Inds. "B," ELECTRICALS (1), Brook Hldgs., INDUSTRIALS (1), RCO, INSURANCE (6), Alexander & Alexander, Aon Corp., Marsh McLennan, Torchmark, Travelers, USLIFE, PAPERS (3), Ogilvy Group, Scott Paper, Space Planning Servs., MINES (1), Bond Corp.

## FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS & SUB-SECTIONS** — Figures in parentheses show number of stocks per section

| | | Tuesday May 19 1987 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 27%) | Est. P/E Ratio (Net) | xd adj. 1987 to date | Mon May 18 Index No. | Fri May 15 Index No. | Thur May 14 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (211) | 928.13 | +0.7 | 7.19 | 2.85 | 17.56 | 9.07 | 921.37 | 918.53 | 913.88 | 712.09 |
| 2 | Building Materials (27) | 1178.27 | +1.3 | 7.07 | 2.82 | 17.63 | 9.58 | 1162.97 | 1158.75 | 1146.19 | 789.19 |
| 3 | Contracting, Construction (33) | 1549.76 | +0.4 | 7.41 | 3.08 | 18.13 | 18.65 | 1543.62 | 1537.37 | 1514.18 | 1168.76 |
| 4 | Electricals (13) | 2370.85 | +0.2 | 5.63 | 3.27 | 23.83 | 31.62 | 2365.42 | 2333.91 | 2326.50 | 1933.91 |
| 5 | Electronics (36) | 2131.18 | −0.2 | 6.99 | 2.06 | 18.86 | 12.00 | 2134.95 | 2100.43 | 2106.64 | 1638.71 |
| 6 | Mechanical Engineering (59) | 510.74 | +1.0 | 8.24 | 3.39 | 15.46 | 7.03 | 505.69 | 506.57 | 501.85 | 408.38 |
| 8 | Metals and Metal Forming (7) | 505.11 | +1.4 | 7.70 | 3.07 | 15.64 | 5.36 | 498.04 | 498.53 | 497.66 | 345.56 |
| 9 | Motors (15) | 339.02 | +0.8 | 8.93 | 3.14 | 12.90 | 3.24 | 336.38 | 340.30 | 338.46 | 283.78 |
| 10 | Other Industrial Materials (21) | 1525.52 | +1.3 | 6.05 | 3.23 | 19.82 | 18.43 | 1505.80 | 1519.61 | 1517.62 | 1280.29 |
| 21 | CONSUMER GROUP (185) | 1276.54 | +0.6 | 6.03 | 2.56 | 21.43 | 8.29 | 1268.31 | 1261.62 | 1257.72 | 888.16 |
| 22 | Brewers and Distillers (22) | 1192.71 | +0.9 | 7.67 | 2.94 | 16.56 | 5.09 | 1181.71 | 1178.12 | 1170.47 | 917.81 |
| 25 | Food Manufacturing (25) | 974.73 | +0.1 | 7.16 | 3.06 | 18.42 | 10.90 | 973.57 | 961.42 | 954.10 | 645.24 |
| 26 | Food Retailing (15) | 2336.03 | −1.8 | 5.57 | 2.47 | 24.61 | 11.45 | 2380.05 | 2398.82 | 2394.72 | 1847.73 |
| 27 | Health and Household Products (10) | 2394.57 | +1.0 | 4.09 | 1.62 | 28.69 | 8.73 | 2371.08 | 2371.80 | 2368.03 | 1488.18 |
| 29 | Leisure (31) | 1326.23 | +0.7 | 5.86 | 3.21 | 22.50 | 14.64 | 1316.41 | 1312.67 | 1307.85 | 857.83 |
| 31 | Packaging & Paper (15) | 662.63 | +0.5 | 5.93 | 2.49 | 21.97 | 4.97 | 659.64 | 657.97 | 652.01 | 446.81 |
| 32 | Publishing & Printing (14) | 3706.21 | −0.7 | 6.12 | 3.05 | 21.25 | 33.22 | 3731.88 | 3747.29 | 3747.42 | 2299.75 |
| 34 | Stores (37) | 1127.00 | +1.8 | 5.92 | 2.50 | 23.01 | 6.56 | 1107.04 | 1089.58 | 1089.70 | 866.16 |
| 35 | Textiles (16) | 755.31 | +2.4 | 7.70 | 2.72 | 14.98 | 5.63 | 737.80 | 728.25 | 727.42 | 516.04 |
| 40 | OTHER GROUPS (87) | 1081.29 | +0.9 | 7.56 | 3.10 | 16.67 | 8.19 | 1071.26 | 1076.13 | 1070.35 | 774.38 |
| 41 | Agencies (17) | 1480.99 | +0.6 | 4.80 | 1.68 | 27.92 | 8.06 | 1471.59 | 1470.32 | 1457.45 | 0.0 |
| 42 | Chemicals (21) | 1318.44 | +1.3 | 7.45 | 3.32 | 16.44 | 18.71 | 1301.31 | 1316.26 | 1314.14 | 854.60 |
| 43 | Conglomerates (11) | 1344.55 | +1.0 | 6.67 | 3.17 | 17.65 | 7.75 | 1331.62 | 1344.95 | 1322.55 | 0.0 |
| 45 | Shipping and Transport (11) | 2196.26 | +0.3 | 6.96 | 3.61 | 18.27 | 23.04 | 2189.59 | 2174.47 | 2170.49 | 1557.20 |
| 47 | Telephone Networks (2) | 1187.24 | +0.9 | 7.88 | 3.16 | 17.31 | 2.09 | 1177.23 | 1183.46 | 1181.86 | 883.64 |
| 48 | Miscellaneous (25) | 1425.75 | +1.0 | 9.23 | 3.07 | 12.98 | 17.56 | 1411.25 | 1409.49 | 1399.52 | 997.82 |
| 49 | INDUSTRIAL GROUP (483) | 1146.88 | +0.7 | 6.74 | 2.78 | 18.91 | 8.72 | 1138.37 | 1136.03 | 1131.25 | 824.25 |
| 51 | Oil & Gas (17) | 2099.87 | +0.1 | 5.47 | 4.40 | 23.69 | 37.06 | 2098.16 | 2117.99 | 2118.84 | 1206.02 |
| 59 | 500 SHARE INDEX (500) | 1227.66 | +0.6 | 6.55 | 3.02 | 19.50 | 11.20 | 1219.74 | 1219.33 | 1215.05 | 857.93 |
| 61 | FINANCIAL GROUP (117) | 765.75 | +2.1 | — | 3.81 | — | 11.06 | 749.66 | 745.24 | 737.20 | 590.39 |
| 62 | Banks (8) | 827.53 | +3.2 | 17.09 | 4.52 | 7.74 | 15.49 | 802.14 | 791.96 | 778.05 | 626.05 |
| 65 | Insurance (Life) (9) | 1041.17 | +0.9 | — | 4.04 | — | 20.71 | 1032.09 | 1034.78 | 1022.44 | 807.83 |
| 66 | Insurance (Composite) (7) | 565.11 | +2.5 | — | 4.33 | — | 11.76 | 551.53 | 547.05 | 537.65 | 492.25 |
| 67 | Insurance (Brokers) (9) | 1204.78 | — | 8.96 | 4.47 | 14.34 | 22.64 | 1204.76 | 1213.38 | 1215.16 | 1177.80 |
| 68 | Merchant Banks (11) | 395.75 | +2.0 | — | 3.17 | — | 2.91 | 387.87 | 385.45 | 384.93 | 351.23 |
| 69 | Property (46) | 1148.99 | +2.4 | 4.00 | 2.54 | 32.23 | 4.36 | 1121.60 | 1114.51 | 1111.70 | 752.44 |
| 70 | Other Financial (27) | 482.28 | +0.6 | 6.85 | 3.22 | 18.59 | 3.23 | 479.23 | 480.30 | 476.78 | 343.37 |
| 71 | Investment Trusts (94) | 1004.31 | +0.3 | — | 2.33 | — | 6.68 | 1001.30 | 1006.69 | 1009.71 | 734.13 |
| 81 | Mining Finance (2) | 548.65 | +1.3 | 5.57 | 3.03 | 21.10 | 6.79 | 541.81 | 525.70 | 507.11 | 282.29 |
| 91 | Overseas Traders (11) | 1047.48 | +0.2 | 8.48 | 4.30 | 14.15 | 14.27 | 1045.79 | 1043.43 | 1040.57 | 686.67 |
| 99 | ALL-SHARE INDEX (724) | 1103.10 | +0.9 | — | 3.12 | — | 10.93 | 1093.66 | 1092.15 | 1086.94 | 780.41 |

| | Index No. | Day's Change | Day's High | Day's Low | May 18 | May 15 | May 14 | May 13 | May 12 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 2214.3 | +22.2 | 2216.6 | 2197.5 | 2192.1 | 2189.7 | 2180.0 | 2163.4 | 2143.3 | 1585.8 |

### FIXED INTEREST

| | PRICE INDICES | Tue May 19 | Day's change % | Mon May 18 | xd adj. today | xd adj. 1987 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 125.02 | +0.12 | 124.86 | — | 4.38 |
| 2 | 5-15 years | 146.22 | +0.36 | 145.70 | — | 5.03 |
| 3 | Over 15 years | 156.25 | +0.58 | 155.35 | — | 5.16 |
| 4 | Irredeemables | 169.41 | +0.44 | 168.66 | — | 6.07 |
| 5 | All stocks | 141.96 | +0.33 | 141.49 | — | 4.88 |
| | Index-Linked | | | | | |
| 6 | 5 years | 123.45 | +0.54 | 122.79 | — | 0.83 |
| 7 | Over 5 years | 120.13 | +0.19 | 119.91 | — | 1.17 |
| 8 | All stocks | 120.21 | +0.22 | 119.95 | — | 1.13 |
| 9 | Debentures & Loans | 125.48 | −0.06 | 125.56 | — | 3.79 |
| 10 | Preference | 88.39 | +0.50 | 87.94 | — | 2.77 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue May 19 | Mon May 18 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 7.69 | 7.73 | 7.69 |
| 2 | Coupons | 15 years | 8.69 | 8.75 | 8.78 |
| 3 | | 25 years | 8.71 | 8.76 | 8.80 |
| 4 | Medium | 5 years | 8.67 | 8.74 | 8.92 |
| 5 | Coupons | 15 years | 8.90 | 8.96 | 9.11 |
| 6 | | 25 years | 8.91 | 8.97 | 9.12 |
| 7 | High | 5 years | 8.83 | 8.88 | 9.05 |
| 8 | Coupons | 15 years | 9.03 | 9.09 | 9.24 |
| 9 | | 25 years | 8.87 | 8.93 | 9.18 |
| 10 | Irredeemables | † | 8.79 | 8.82 | 8.74 |
| | Index-Linked | | | | |
| 11 | Inflat'n rate 5% | 5 yrs | 2.08 | 2.23 | 3.60 |
| 12 | Inflat'n rate 5% | Over 5 yrs | 3.51 | 3.52 | 3.28 |
| 13 | Inflat'n rate 10% | 5 yrs | 1.60 | 1.75 | 2.39 |
| 14 | Inflat'n rate 10% | Over 5 yrs | 3.41 | 3.42 | 3.11 |
| 15 | Debs & | 5 years | 9.64 | 9.66 | 10.15 |
| 16 | Loans | 15 years | 10.02 | 10.02 | 10.07 |
| 17 | | 25 years | 10.08 | 10.07 | 10.00 |
| 18 | Preference | † | 10.24 | 10.29 | 10.74 |

♦ Opening index 2197.5; 10 am 2208.8; 11 am 2210.7; Noon 2212.1; 1 pm 2212.1; 2 pm 2213.7; 3 pm 2212.2; 3.30 pm 2214.0; 4 pm 2214.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGE (11/5/87): Comcap (5) has been deleted and replaced by Macro 4 (5).

## LONDON TRADED OPTIONS

| Option | | Calls July | Calls Oct. | Calls Jan. | Puts July | Puts Oct. | Puts Jan. |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*434) | 360 | 75 | 85 | 95 | 1 | 5 | 9 |
| | 390 | 48 | 65 | 75 | 6 | 10 | 14 |
| | 420 | 28 | 45 | 55 | 14 | 20 | 25 |
| | 460 | 11 | 25 | 36 | 42 | 45 | 50 |
| Brit. Airways (*162) | 140 | 21 | 28 | 34 | 3 | 6 | 8 |
| | 160 | 14 | 16 | 26 | 15 | 19 | 21 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls May | Calls Aug. | Calls Nov. | Puts May | Puts Aug. | Puts Nov. |
|---|---|---|---|---|---|---|---|
| Guinness (*344) | 280 | 85 | 92 | 100 | 0½ | 1 | — |
| | 300 | 65 | 75 | 83 | 0½ | 1½ | 2 |
| | 330 | 35 | 50 | 58 | 0½ | 6 | 12 |
| | 360 | 9 | 32 | 45 | 7 | 22 | 27 |
| Ladbroke (*417) | 373 | 50 | 65 | — | 2 | 6 | — |
| | 403 | 21 | 47 | 60 | 3 | 19 | 25 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 99 | 4 | 10 |
| Corporations, Dominion and Foreign Bonds | 18 | 12 | 36 |
| Industrials | 606 | 375 | 561 |
| Financial and Properties | 248 | 92 | 254 |
| Oils | 28 | 23 | 61 |
| Plantations | 2 | 1 | 11 |
| Mines | 33 | 82 | 71 |
| Others | 55 | 83 | 97 |
| Totals | 1,089 | 672 | 1,101 |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1987 High | 1987 Low | Stock | Closing Price p | + or − | Net Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §180 | F.P. | 15/5 | 217 | 189 | Airtours 10p | 217 | +7 | R5.4 | 2.5 | 3.4 | 15.8 |
| §115 | F.P. | 20/5 | 165 | 128 | Bellwinch 10p | 160 | ...... | R3.2 | 3.7 | 2.7 | 13.4 |
| §77 | F.P. | 30/6 | 105 | 96 | ‡Bonded Laminates 10p | 103 | ...... | L2.4 | 2.4 | 3.2 | 18.0 |
| §115 | F.P. | 8/5 | 170 | 133 | Brooks Service Group | 170 | ...... | L3.8 | 2.2 | 3.0 | 18.6 |
| §80 | F.P. | 8/5 | 260 | 150 | ‡Burford Group | 260 | ...... | u1.2 | 3.2 | 0.63 | 67.0 |
| ‡‡ | F.P. | — | 440 | 400 | Calor Group 50p | 435 | ...... | L12.0 | 2.6 | 3.8 | 13.8 |
| 130 | F.P. | 8/5 | 136 | 129 | Cambridge Instru. 5p | 130 | ...... | R0.7 | 8.8 | 0.7 | 14.8 |
| §55 | F.P. | 12/6 | 98 | 68 | ‡Cambridge Isotope | 85 | −2 | R20.9 | — | 0.68 | — |
| §200 | F.P. | 11/5 | 228 | 211 | ‡Castle Comms. 5p | 228 | ...... | R7.0 | 2.2 | 4.2 | 15.5 |
| — | F.P. | — | 15 | 10 | ChildHealthRes. Wrrts | 12½ | ...... | — | — | — | — |
| 115 | F.P. | 8/5 | 140 | 114 | Church (Charles) 5p | 135 | −2 | R2.75 | 3.10 | 2.7 | 16.1 |
| §125 | F.P. | — | 185 | 145 | ‡Colorgraphic 10p | 177 | −3 | L3.0 | 2.8 | 2.3 | 20.6 |
| ‡‡ | F.P. | — | 310 | 291 | Combtel 50p | 295 | ...... | t8.0 | 1.6 | 3.7 | 22.3 |
| §130 | F.P. | 22/5 | 153 | 145 | Cooper (Alan) 10p | 150 | +5 | t4.0 | 2.5 | 3.6 | 15.1 |
| §125 | F.P. | 29/5 | 154 | 143 | Cundell Group 10p | 154 | ...... | W3.19 | 3.1 | 2.8 | 15.8 |
| §135 | F.P. | 29/5 | 180 | 138 | Doeflex 10p | 180 | ...... | L3.45 | 2.50 | 2.6 | 20.8 |
| ‡‡ | F.P. | — | 126 | 81 | ERA Group 5p | 126 | +4 | — | — | — | 63.0 |
| §155 | F.P. | 15/5 | 225 | 170 | ‡Epwin Group 10p | 225 | +5 | L4.0 | 2.6 | 2.4 | 22.0 |
| §120 | F.P. | 29/5 | 181 | 160 | ‡Filofax 5p | 177 | ...... | u2.7 | 2.8 | 2.0 | 23.7 |
| §112 | F.P. | 1/5 | 145 | 115 | ‡HoneysuckleGr'p 2p | 145 | ...... | R4.1 | 2.5 | 3.9 | 14.1 |
| §120 | F.P. | 24/4 | 240 | 185 | Mallett 5p | 235 | ...... | u3.0 | 3.1 | 1.7 | 25.2 |
| §120 | F.P. | 29/5 | 127 | 120 | ‡March Group 5p | 122 | ...... | L4.2 | 2.4 | 4.6 | 12.0 |
| §114 | F.P. | 24/4 | 360 | 225 | MercuryAssetMgmt. 5p | 360 | +3 | R5.0 | 4.0 | 1.9 | 18.0 |
| †† | F.P. | — | £23½ | £20 | Nokia Corp Pfd. | £21¼ | ...... | — | — | — | — |
| §106 | F.P. | — | 120 | 113 | ‡Orchid Technology | 117 | ...... | R02.57c | 5.2 | 1.4 | 13.6 |
| §55 | F.P. | 3/6 | 88 | 64 | ‡RKF Group 10p | 87 | ...... | u2.19 | 2.4 | 3.4 | 15.0 |
| §140 | F.P. | 1/5 | 181 | 163 | ‡RelianceSecGroup 5p | 180 | +3 | b4.5 | 2.5 | 3.4 | 16.2 |
| §135 | F.P. | — | 232 | 163 | ‡Select Apps. 1p | 232 | +6 | L2.5 | 2.8 | 1.5 | 33.2 |
| §125 | F.P. | — | 170 | 155 | ‡Sharp & Law 10p | 160 | −1 | u3.0 | 2.4 | 2.6 | 21.9 |
| 125 | F.P. | 15/7 | 260 | 242 | ‡Sock Shop Intl. 5p | 243 | +1 | R1.35 | 3.8 | 7.6 | 47.0 |
| §125 | F.P. | 2/6 | 165 | 158 | ‡UCL Group 5p | 160 | ...... | u2.5 | 2.8 | 2.1 | 22.6 |
| §140 | F.P. | 15/5 | 207 | 171 | Waterglade Intl. 5p | 207 | +14 | R3.25 | 3.5 | 2.1 | 17.0 |
| †† | F.P. | — | £21⅜ | £20¼ | Whirlpool $1.0 | £20⅞ | ...... | — | — | — | — |
| 130 | F.P. | 16/3 | 151 | 134½ | Wilson Bowden 10p | 148 | ...... | L3.4 | 3.0 | 3.1 | 14.5 |
| §120 | F.P. | 29/4 | 242 | 145 | ‡WyevaleGdn.Cen. 50p | 242 | ...... | u2.63 | 2.8 | 1.4 | 32.8 |
| §133 | F.P. | 22/5 | 148 | 136 | YRM 10p | 145 | ...... | R4.41 | 3.5 | 2.2 | 17.0 |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1987 High | 1987 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| §100 | F.P. | — | 117 | 111 | Barham Grp. Cnv. Red. Prf. 10p | 117 | ...... |
| 103.09 | £10 | 25/6 | 13½ | 13 | East Anglian Water 7% Red Prf 1996/98 | 13 | ...... |
| ¶¶ | F.P. | — | 125 | 113 | ‡Ecobric 12¼% Cnv. Uns. Ln. 1988/90 | 118 | |
| — | F.P. | 29/5 | 111¼ | 109 | Ests.&Genlnv.new11¼%1stMt.Deb2018 | 111¼ | ...... |
| — | F.P. | — | 100p | 96½p | Friendly Hotels 4¼% Cnv Cum Red Prf £1 | 99p | −1 |
| — | £25 | 28/8 | 26½ | 25 | Gt. Portland Ests. 9½% 1st Mt. Db 2016 | 25⅞ | −⅛ |
| §100.156 | £30 | 13/8 | 35¼ | 30¼ | Land Securities New 10% 1st Mt Db '25 | 33⅝ | −1 |
| §99 | £10 | 29/1 | 10¼ | 9½ | Mid-Sussex Water 10% Red Deb 2013/17 | 10 | −⅛ |
| — | F.P. | — | 102 | 98 | Nationwide 9⅞pc 3.5.88 | 100⅞ | |
| — | F.P. | — | 101 | 99⅞ | Do. 8⅞pc 23.5.88 | 101 | +1 |
| — | £25 | 11/11 | 25½ | 24½ | North Housing Assoc. 8¼% Gtd. ln. 2037 | 24½ | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1987 High | 1987 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

# WORLD STOCK MARKETS

## AUSTRIA

| May 19 | Price Sch% | + or − |
|---|---|---|
| Creditanstalt | 1900 | ...... |
| Goesser | 2840 | −80 |
| Interunfall | 11920 | +20 |
| Jungbunzlauer | 8450 | −80 |
| Laenderbank | 1810 | +35 |
| Perlmooser | 670 | −5 |
| Steyr-Daimler | 140 | ...... |
| Veitscher Mag | 780 | +20 |

## BELGIUM/LUXEMBOURG

| May 19 | Price Frs. | + or − |
|---|---|---|
| B.B.L. | 3180 | +20 |
| Banque Gen. Du L. | 15600 | +100 |
| Bank Int. A Lux. | 14350 | ...... |
| Bekaert B | 10400 | +50 |
| Ciment CBR | 5070 | −110 |
| Cockerill | 154 | −1 |
| Delhaize | 3160 | ...... |
| EBES | 4930 | −20 |
| Fabrique Nat | 1800 | ...... |
| GB Inno BM | 1080 | ...... |
| GBL (Brux) | 3744 | ...... |
| General Bank | 6350 | +40 |
| Gevaert | 6680 | +80 |
| Hoboken | 7160 | −20 |
| Intercom | 4065 | −190 |
| Kredietbank | 4400 | ...... |
| Pan Holdings | 11800 | ...... |
| Petrofina | 11025 | −475 |
| Royale Belge | 6480 | −720 |
| Soc Gen Belge | 3515 | −155 |
| Sofina | 14150 | −100 |
| Solvay | 10125 | +125 |
| Stanwick Intl. | 450 | ...... |
| Tractebel | 7120 | −80 |
| UCB | 9500 | ...... |
| Wagons Lits | 5430 | −60 |

## DENMARK

| May 19 | Price Kr % | + or − |
|---|---|---|
| Baltica Skand | 890.00 | −15 |
| Cop Handelsbank | 275.00 | +2 |
| D. Sukkerfab | 339.00 | +1 |
| Den Danske Bank | 341 | ...... |
| East Asiatic | 196.00 | −1 |
| Forenede Bryg | 850 | −15 |
| GNT Holding | 270.00 | +2 |
| I.S.S.B. Systems | 750.00 | +10 |
| Jyske Bank | 505 | ...... |
| Novo Inds.* | 247.00 | −3 |
| Privatbanken | 275.00 | ...... |
| Sophus Berendsen | 870.00 | −5 |
| Superfos | 235.00 | −4 |

## FINLAND

| May 19 | Price Mks | + or − |
|---|---|---|
| Amer | 253.5 | +2 |
| KOP | 50.15 | −0.1 |
| Kone | 213 | ...... |
| Finnish Sugar | 98.25 | −1 |
| Nokia | 174.5 | ...... |
| Pohjola 'B' | 83.65 | −0.05 |
| Rouma-Repola | 26.85 | −0.2 |
| Stockmann 'B' | 226.5 | −5.5 |
| UBF 'C' | 32.60 | ...... |
| Wartsila (S11) | 206 | −0.5 |

## FRANCE

| May 19 | Price Frs. | + or − |
|---|---|---|
| Emprunt 4½% '73 | 1910 | −45 |
| Emprunt 7% 1973 | 6600.00 | −400 |
| Accor | 487.00 | +12 |
| Air Liquide | 717 | +12 |
| BIC | 721 | −14 |
| BNP (Cert. Inv.) | 573 | +29 |
| Bongrain | 2810 | +52 |
| Bouygues | 1222 | +57 |
| BSN Gervais | 5120 | +110 |
| CIT-Alcatel | 2605 | +5 |
| Carrefour | 3421 | +26 |
| Club Mediterranean | 659.00 | +13 |
| Cie Bancaire | 741 | +20 |
| Cofimeg | 365.00 | ...... |
| Damart | 2930 | +41 |
| Darty | 447 | +18 |
| Dumez S.A. | 2315 | +16 |
| Eaux (Cie Gen) | 1341 | +16 |
| Elf-Aquitaine | 393.00 | +10 |
| Essilor | 3457 | +97 |
| Gen. Occidentale | 1171 | −6 |
| Imetal | 124.00 | +1 |
| Lafarge Coppee | 1600 | +44 |
| L'Oreal | 4220 | +170 |
| Legrand | 5400.00 | −10 |
| Maisons Phenix | 129.40 | +6.3 |
| Matra S.A. | 2670 | +72 |
| Michelin B. | 3440 | +128 |
| Midi (Cie) | 1530 | +15 |
| Moet-Hennessy | 2418 | +18 |
| Moulinex | 110 | −2 |
| Nord Est | 184.70 | +2.5 |
| Paribas | 494.00 | +2 |
| Pernod Ricard | 1041.00 | −9 |
| Perrier | 762 | +2 |
| Petroles Fra | 541.00 | +6 |
| Peugeot S.A. | 1574 | +53 |
| Printemps Au | 804.00 | −1 |
| Radiotech | 1530 | +25 |
| Redoute | 3355 | +5 |
| Roussel-Uclaf | 1540 | ...... |
| St Gobain | 430.00 | +10 |
| Sefimeg | 479 | +4 |
| Skis Rossignol | 1255 | −15 |
| Telemech Elect | 3020 | +30 |
| Thompson (CSF) | 1505 | +6 |
| Valeo | 574.00 | +5 |

## GERMANY

| May 19 | Price Dm. | + or − |
|---|---|---|
| AEG-Telef | 313.70 | +4.2 |
| Allianz Vers | 1642 | −8 |
| BASF | 277 | +0.5 |
| Bayer | 307.30 | +1.1 |
| Bayer-Hypo | 395 | −4 |
| Bayer-Verein | 388 | −4 |
| BHF-Bank | 415 | ...... |
| BMW | 570 | −0.5 |
| Brown Boveri | 335.50 | +0.5 |
| Commerzbank | 255 | −0.5 |
| Cont'l Gummi | 329 | +0.7 |
| Daimler-Benz | 982.50 | +16.5 |
| Degussa | 525.30 | +0.3 |
| D'sche Babcock | 210 | +4 |
| Deutsche Bank | 596.50 | +2 |
| Dresdner Bank | 323 | −0.5 |
| Feld Muehle Nob | 293 | +0.5 |
| Henkel | 507 | +2.2 |
| Hochtief | 723.50 | +5.5 |
| Hoechst | 275.60 | +1.2 |
| Hoesch Werke | 115.50 | +1 |
| Holzmann (P) | 989.50 | ...... |
| Horten | 226 | −1 |
| Hussel | 562 | −10 |
| Karstadt | 440 | −2 |
| Kaufhof | 480 | −9 |
| KHD | 148.50 | +1.3 |
| Kloeckner | 48.30 | +1.2 |
| Linde | 658 | +3 |
| Lufthansa | 172 | −3 |
| MAN | 158 | −1 |
| Mannesmann | 163.50 | −0.5 |
| Mercedes Hld. | 827 | +15 |
| Metallgesell | 336 | −4.5 |
| Muench Rueck | 1720 | −30 |
| Nixdorf | 798 | ...... |
| Porsche | 837 | +9 |
| Preussag | 162 | +2 |
| Rhein West Elect. | 221.80 | ...... |
| Rosenthal | 244 | +1 |
| Schering | 536 | +6.8 |
| Siemens | 698 | +2.5 |
| Thyssen | 115.80 | ...... |
| Varta | 326 | −1 |
| Veba | 290.50 | +1.7 |
| V.E.W. | 161 | −0.2 |
| Verein-West | 423 | +1 |
| Volkswagen | 356 | +7 |

## ITALY

| May 19 | Price Lire | + or − |
|---|---|---|
| Banca Com'le | 23600 | −201 |
| Bastogi-IRBS | 662.00 | −10 |
| CIR | 6050 | −210 |
| Credito Italian | 2072 | −74 |
| Fiat | 12610 | −170 |
| Generali Assicur | 131100 | +200 |
| Italcement | 93000 | −700 |
| La Rinascente | 1195 | +8 |
| Montedison | 2650 | −50 |
| Olivetti | 12450 | −250 |
| Pirelli Co | 6525 | +45 |
| Pirelli Spa | 5397 | −113 |
| Saipem | 3920 | −80 |
| Snia BPD | 4000 | −80 |
| Toro Assic | 31700 | +250 |

## NETHERLANDS

| May 19 | Price Fls. | + or − |
|---|---|---|
| ACF Holding | 60.20 | −0.6 |
| AEGON | 91.90 | +0.9 |
| Ahold | 102.20 | +0.4 |
| AKZO | 131.20 | −0.7 |
| ABN | 486.00 | +1 |
| AMEV | 61.20 | −0.4 |
| AMRO | 76.70 | +0.4 |
| Bredero Cert | 46.50 | +0.5 |
| Buehrmann-Tet | 56.20 | +0.2 |
| Dordtsche Petroleum | 242.30 | +3.7 |
| Elsevier Ndu | 50.00 | ...... |
| Fokker | 49.50 | −0.3 |
| Gist Brocades | 43.30 | +0.2 |
| Heineken | 175.00 | −0.8 |
| Hoogovens | 43.90 | +1.6 |
| Hunter Douglas | 51.90 | −0.3 |
| IHC Caland | 21.80 | ...... |
| Int Mueller | 66.20 | −0.8 |
| KLM | 47.50 | +0.6 |
| KNP | 153.50 | ...... |
| Nat Ned Cert | 69.50 | −0.5 |
| Ned Mid Bank | 162.50 | +1.2 |
| Ned Lloyd | 143.70 | +0.6 |
| Oce Grinten | 410.00 | ...... |
| Ommeren (Van) | 34.90 | −0.6 |
| Pakhoed | 75.40 | +0.4 |
| Philips | 48.10 | +0.1 |
| Robeco | 100.60 | +0.2 |
| Rodamco | 144.60 | ...... |
| Rolinco | 92.90 | +0.1 |
| Rorento | 52.30 | −0.1 |
| Royal Dutch | 262.20 | +2.7 |
| Unilever | 639.50 | +6 |
| VMF Stork | 25.80 | +0.5 |
| VNU | 309.00 | −0.5 |
| Wessanen | 84.50 | +0.3 |
| Wolters Samson | 121.50 | +2.5 |

## NORWAY

| May 19 | Price Kroner | + or − |
|---|---|---|
| Aker-Norcem | 65.00 | ...... |
| Bergen bank | 180.00 | −1 |
| Bergesen B | 335.00 | +5 |
| Christiania Bk | 196.00 | −1.5 |
| Den Norsk Credit | 157.50 | −2.5 |
| Elkem | 100.00 | −0.5 |
| Kosmos | 137.50 | −2.5 |
| Kvaerner | 206.50 | +3.5 |
| Norsk Data | 221.00 | −4 |
| Norsk Hydro | 206.50 | +5 |
| Orkla Borregaar | 376.00 | ...... |
| Storebrand | 358.00 | +3 |

## SPAIN

| May 19 | Price Pts. | + or − |
|---|---|---|
| Banco Bilbao | 1430 | ...... |
| Banco Central | 1020 | ...... |
| Banco Exterior | 460 | ...... |
| Banco Hispano | 525 | −5 |
| Banco Popular | 1480 | −20 |
| Banco Santander | 1050 | ...... |
| Banco de Vizcaya | 1895 | +5 |
| Banesto | 710 | +30 |
| Dragados | 676 | +6 |
| Hidrola | 77 | +13 |
| Iberduero | 109.20 | −5.8 |
| Petroleos | 529 | +4 |
| Telefonica | 167 | −2 |

## SWEDEN

| May 19 | Price Kronor | + or − |
|---|---|---|
| AGA (free) | 183.00 | +5 |
| Alfa-Laval | 303.00 | +3 |
| ASEA (Free) | 324.00 | +5 |
| Astra (Free) | 645.00 | +25 |
| Atlas Copco | 160.00 | +1 |
| Beijer A Fria | 226.00 | ...... |
| Cardo (Free) | 220.00 | ...... |
| Cellulosa | 337.00 | −3 |
| Electrolux B | 306.00 | +4 |
| Ericsson | 273.00 | +6 |
| Esselte | 154.00 | −1 |
| Mo Och Domsjo | 329.00 | +1 |
| Pharmacia | 194.00 | +6 |
| Saab-Scania (free) | 602.00 | +2 |
| Sandvik | 167.00 | −3 |
| Skandia | 144.00 | +1 |
| Skan Enskilda | 119.00 | +2 |
| SKF | 338.00 | −2 |
| St. Kopparbergs | 339.00 | ...... |
| Svska Handelsbn | 420.00 | +2 |
| Swedish Match | 490.00 | −5 |
| Volvo B (Free) | 309.00 | +2 |

## SWITZERLAND

| May 19 | Price Frs. | + or − |
|---|---|---|
| Adia Intl. | 11975 | −50 |
| Alusuisse | 617 | −3 |
| Bank Leu | 3150 | −25 |
| Brown Boveri | 2025 | +125 |
| Ciba Geigy | 3125 | −35 |
| do. (PtCts) | 2160 | −30 |
| Credit Suisse | 3000 | ...... |
| Elektrowatt | 3580 | −20 |
| Fischer (Geo.) | 1500 | −25 |
| Hoff-Roche (Pt Cts) | 125500 | −2000 |
| Hoff-Roche 1/10 | 12600 | −225 |
| Jacobs Suchard | 8650 | ...... |
| Jelmoli | 3500 | −30 |
| Landis & Gyr | 1550 | ...... |
| Nestle | 9100 | ...... |
| Oer-Buhrle | 1200 | +25 |
| Pargesa Hldg | 2090 | ...... |
| Pirelli | 412 | −5 |
| Sandoz (Br) | 11600 | +100 |
| Sandoz (PtCts) | 1940 | +40 |
| Schindler (PtCts) | 840 | −9 |
| Sika | 1555 | ...... |
| Surveillance | 8125 | −155 |
| Swissair | 1160 | ...... |
| Swiss Bank | 432 | −4 |
| Swiss Reinsce | 15800 | −150 |
| Swiss Volksbk | 2050 | −25 |
| Union Bank | 4450 | −150 |
| Winterthur | 6200 | −25 |
| Zurich Ins | 7200 | −50 |

## AUSTRALIA

| May 19 | Price Aust$ | + or − |
|---|---|---|
| ACI Int. | 4 | ...... |
| A.F.P. | 2.60 | −0.1 |
| Adelaide Steams | 9.10 | −0.1 |
| Amcor | 4.40 | −0.05 |
| ANZ Group | 6.20 | −0.1 |
| Ampol Pet | 3.45 | ...... |
| Ariadne Aust | 3.25 | −0.03 |
| Ashton | 4.30 | ...... |
| Aust Guarant | 3.30 | ...... |
| Aust Nat Inds | 3.58 | −0.02 |
| Bell Group | 8.16 | −0.14 |
| Bell Resources | 5.70 | −0.14 |
| Bond Corp Hldgs | 2.35 | −0.4 |
| Boral | 5 | ...... |
| B'ville Copper | 5.30 | −0.1 |
| Brambles Inds | 9.36 | +0.06 |
| Bridge Oil | 1.62 | ...... |
| BHP | 9.74 | −0.16 |
| Burns Philp | 10.35 | +0.05 |
| CRA | 10.80 | −0.2 |
| CSR | 3.85 | −0.05 |
| Chase Corp | 2.80 | −0.3 |
| Claremont Petro | 1.42 | −0.01 |
| Coles Myer | 6.94 | −0.06 |
| Comalco "A" | 3.45 | −0.15 |
| Consolidated Pet | 0.67 | −0.03 |
| Costain Aust | 3 | ...... |
| Elders IXL | 4.50 | −0.15 |
| Energy Res | 2.50 | ...... |
| Gen.Prop Trust | 3.05 | ...... |
| Hardie (J.) | 3.55 | +0.05 |
| Hartogen Energy | 5 | ...... |
| ICI Aust. | 4.20 | ...... |
| Industrial Equip | 4.35 | ...... |
| Jimbilana (50cFP) | 0.70 | ...... |
| Kia Ora Gold | 1.37 | −0.01 |
| Kidston Gold | 8.50 | −0.4 |
| Lend Lease | 13 | +0.05 |
| MIM | 2.68 | −0.3 |
| Mayne Nickless | 4.30 | ...... |
| Nat. Aust. Bank | 4.65 | −0.15 |

## AUSTRALIA (Continued)

| May 19 | Price Aust$ | + or − |
|---|---|---|
| News | 20.30 | −0.2 |
| Noranda Pacific | 3.95 | +0.1 |
| North Bkn Hill | 3.80 | −0.15 |
| Oakbridge | 0.58 | −0.02 |
| Pacific Dunlop | 4.60 | −0.1 |
| Pancont'l | 4.40 | ...... |
| Pioneer Conc | 3.40 | −0.05 |
| Placer Pacific | 4.75 | +0.15 |
| Poseidon | 5.60 | −0.06 |
| Queensland Coal | 1.45 | ...... |
| Santos | 7 | −0.02 |
| Smith (H.) | 4.75 | −0.05 |
| Thos Natwide | 5.10 | −0.1 |
| Tooth | 6.70 | ...... |
| Vamgas | 3.65 | −0.1 |
| Western Mining | 7.88 | −0.06 |
| Westpac | 4.86 | −0.06 |
| Woodside Petrol | 2.35 | −0.05 |
| Woolworths | 3.50 | ...... |
| Wormald Intl | 3.40 | +0.1 |

## HONG KONG

| May 19 | Price H.K.$ | + or − |
|---|---|---|
| Bank East Asia | 22.40 | ...... |
| Cathy Pacific | 5.75 | +0.05 |
| Cheung Kong | 42.25 | +0.25 |
| China Light | 21.70 | ...... |
| Evergo | 0.68 | ...... |
| Hang Seng Bank | 36.50 | −1.5 |
| Henderson Land | 6.40 | −0.1 |
| Hong Kong China | 15.60 | +0.3 |
| HK Electric | 14.40 | −0.2 |
| HK Land | 6.80 | +0.2 |
| HK Shanghai Bank | 8.45 | +0.1 |
| HK Telephone | 12.90 | ...... |
| Hutchison Wpa | 46.75 | ...... |
| Indust Equity P | 17.70 | −0.2 |
| Jardine Math | 17.80 | −0.3 |
| New World Dev | 10.90 | +0.1 |
| SHK Props | 15.30 | +0.2 |
| Shell Elec. Mfg. | 1.36 | +0.01 |
| Swire Pac A | 18.90 | +0.1 |
| TV-B | 12.70 | ...... |
| Wharf Hldgs | 8.05 | +0.3 |
| Windsor Ind. | 10.90 | ...... |
| World Int Hldgs | 3.75 | +0.03 |

## JAPAN

| May 19 | Price Yen | + or − |
|---|---|---|
| Ajinomoto | 3470 | −80 |
| All Nippon Air | 1800 | −40 |
| Alps Electric | 1560 | +90 |
| Asahi Chemicals | 1170 | −30 |
| Asahi Glass | 1970 | −50 |
| Bank Tokyo | 1790 | −30 |
| Bridgestone | 873 | −17 |
| Brother Inds. | 600 | +15 |
| Canon | 765 | +7 |
| Casio Computers | 1030 | +40 |
| Chugai Pharm | 1880 | +50 |
| Daiei | 1630 | ...... |
| Dai Ichi Kan Bank | 3900 | −100 |
| Dai Nippon Ink | 698 | −2 |
| Dai Nippon Ptg | 2100 | −70 |
| Daiwa House | 2350 | −70 |
| Daiwa Sec | 3400 | −50 |
| Eisai | 1850 | −20 |
| Fanuc | 4890 | +420 |
| Fuji Bank | 3950 | −80 |
| Fuji Film | 2870 | +30 |
| Fujisawa | 2130 | +70 |
| Fujitsu | 870 | +25 |
| Fujisawa Elect | 790 | −10 |
| Green Cross | 2650 | −30 |
| Heiwa Real Est | 1870 | +20 |
| Hitachi | 920 | +5 |
| Hitachi Credit | 1610 | −40 |
| Honda | 1280 | −10 |
| Indl Bank Japan | 4860 | −40 |
| Ishikawajima Ha | 656 | −4 |
| Isuzu Motors | 357 | +9 |
| Itoh (C) | 861 | −9 |
| Ito Yokado | 3680 | −20 |
| JAL | 15300 | +300 |
| Jusco | 1280 | −20 |
| Kajima | 1940 | −30 |
| Kao Soap | 2060 | −30 |
| Kawasaki Steel | 237 | −2 |
| Kirin | 2830 | −60 |
| Kobe Steel | 305 | +4 |
| Komatsu | 620 | ...... |
| Konishiroku | 590 | +4 |
| Kubota | 643 | +19 |
| Kumagai | 1200 | −50 |
| Kyoto Ceramic | 4050 | +150 |
| Marubeni | 574 | −19 |
| Marui | 3040 | −110 |
| Mazda Motors | 387 | +5 |
| Meiji Seika | 1090 | −10 |
| MEI | 1600 | +20 |
| M'bishi Bank | 4000 | +10 |
| M'bishi Chem | 1000 | −10 |
| M'bishi Corp | 1340 | −20 |
| M'bishi Elec | 525 | ...... |
| M'bishi Estate | 2990 | −80 |
| MHI | 595 | −8 |
| Mitsui Bank | 2750 | ...... |
| Mitsui Co | 800 | −15 |
| Mitsui Estate | 2870 | −130 |
| Mitsui Toatsu | 722 | −24 |
| Mitsukoshi | 1640 | +30 |
| NGK Insulators | 890 | +20 |
| Nikko Sec | 2690 | −80 |
| Nippon Denso | 1420 | +10 |
| Nippon Elect | 1620 | +20 |
| Nippon Express | 1340 | −40 |
| Nippon Gakki | 1590 | +70 |
| Nippon Kogaku | 670 | +5 |
| Nippon Kokan | 325 | −3 |
| Nippon Oil | 1900 | ...... |

## JAPAN (Continued)

| May 19 | Price Yen | + or − |
|---|---|---|
| Nippon Seiko | 476 | +6 |
| Nippon Shimpan | 1260 | −20 |
| Nippon Steel | 357 | −1 |
| Nippon Suisan | 591 | −8 |
| Nippon Yusen | 649 | +10 |
| Nissan Motor | 713 | +28 |
| Nisshin Flour | 1310 | −10 |
| Nomura | 5250 | −110 |
| Olympus | 990 | −30 |
| Onoda Cement | 692 | −11 |
| Orient Finance | 1520 | −30 |
| Orient Leasing | 3440 | +90 |
| Pioneer | 2070 | +120 |
| Ricoh | 823 | +24 |
| Sankyo | 2050 | +60 |
| Sanwa Bank | 3370 | −10 |
| Sanyo Elect | 467 | +15 |
| Sapporo | 2040 | −50 |
| Sekisui Prefab | 2200 | −50 |
| Seven-Eleven | 7200 | +200 |
| Sharp | 888 | +8 |
| Shimizu Const. | 1020 | −30 |
| Shionogi | 1820 | −10 |
| Shiseido | 1850 | −30 |
| Showa Denko | 635 | −6 |
| Sony | 2810 | +50 |
| S'tomo Bank | 4610 | −140 |
| Sumitomo Chem | 835 | −11 |
| Sumitomo Corp. | 1160 | −30 |
| S'tomo Elect. | 1490 | −10 |
| S'tomo Metal | 224 | −2 |
| Taisei Corp | 1200 | −50 |
| Taisho Marine | 1300 | −40 |
| Taiyo Kobe Bank | 1790 | ...... |
| Takeda | 3440 | −20 |
| TDK | 3060 | +60 |
| Teijin | 790 | −11 |
| Toa Nenryo Kyo | 2120 | +10 |
| Tokai Bank | 2440 | −50 |
| Tokyo Marine | 2500 | −80 |
| Tokyo Elect Pwr | 8180 | −10 |
| Tokyo Gas | 1320 | −50 |
| Tokyu Corp | 1850 | −50 |
| Toppan Print | 1580 | −30 |
| Toray | 733 | −7 |
| Toshiba Elect | 730 | −5 |
| Toyo Seikan | 2380 | ...... |
| Toyota Motor | 1650 | +10 |
| UBE Inds. | 475 | +10 |
| Victor | 2040 | +70 |
| Yamaha | 751 | +1 |
| Yamaichi Sec | 2630 | −120 |
| Yamanouchi | 3970 | +50 |
| Yamazaki | 1720 | +60 |
| Yasuda Fire | 1250 | −30 |

## SINGAPORE

| May 19 | Price $ | + or − |
|---|---|---|
| Boustead Hldgs | 1.82 | −0.01 |
| Cerebos Pacific | 5.75 | −0.05 |
| Cold Storage | 4.22 | ...... |
| DBS | 13.70 | −0.4 |
| Genting | 6.65 | −0.05 |
| Haw Par Bros | 4.90 | +0.08 |
| Hong Leong Fin. | 4.00 | +0.2 |
| Inchcape Bhd | 4.82 | +0.08 |
| Keppel Shipyard | 3.54 | +0.04 |
| Malay Banking | 7.70 | −0.2 |
| Malayan Utd. Ind | 2.34 | +0.04 |
| Multi Purpose | 0.82 | −0.02 |
| OCBC | 9.55 | ...... |
| OUB | 4.28 | +0.26 |
| Public Bank | 2.46 | +0.01 |
| Sime Darby | 3.38 | −0.06 |
| Singapore Air | 14.00 | +0.1 |
| Singapore Press | 7.80 | −0.3 |
| Straits Trading | 4.30 | +0.02 |
| Tat Lee Bank | 3.36 | +0.16 |
| UOB | 5.65 | +0.15 |

## SOUTH AFRICA

| May 19 | Price Rand | + or − |
|---|---|---|
| Abercom | 3.20 | ...... |
| AE & CI | 18.00 | ...... |
| Allied Tech. | 137.50 | +2.5 |
| Anglo Am Coal | 38.00 | −0.5 |
| Anglo Am Corp | 80.00 | −1.5 |
| Anglo Am Gold | 380.00 | −8 |
| Barclays Bank | 23.50 | +0.25 |
| Barlow Rand | 26.50 | −0.15 |
| Buffels | 75.00 | −2 |
| CNA Gallo | 4.90 | ...... |
| Currie Finance | 5.45 | ...... |
| De Beers | 40.75 | −1.25 |
| Driefontein | 85.00 | −1 |
| Freegold | 58.00 | −1 |
| Gold Fields SA | 78.00 | −3 |
| Highveld Steel | 6.40 | ...... |
| Malcor Hldgs | 20.75 | −0.25 |
| Nedbank | 8.50 | +0.05 |
| OK Bazaars | 18.75 | −0.35 |
| Rembrandt | 15.00 | ...... |
| Rust Plat | 56.75 | −0.25 |
| Safren | 26.50 | +0.5 |
| Sage Holdings | 18.00 | ...... |
| SA Brewers | 19.75 | −0.15 |
| Smith (C.G.) | 41.00 | +1 |
| Tongaat Hulett | 12.75 | ...... |

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

## CANADA

### TORONTO
*Closing prices May 19*

[illegible]

### MONTREAL
*Closing prices May 19*

[illegible]

Total Sales 9,211,102 shares

## Indices

### NEW YORK—DOW JONES

[illegible]

### STANDARD AND POORS

[illegible]

### N.Y.S.E. ALL COMMON

[illegible]

### TORONTO

[illegible]

MONTREAL Portfolio [illegible]

† Indicates pre-close figure

| | May 19 | May 18 | May 15 | May 14 | 1987 High | 1987 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ord (1/1/80) | 1858.7 | 1858.5 | 1848.5 | 1848.5 | 1858.8 (18/5) | 1486.7 (2/2) |
| Metals & Minerals (1/1/80) | 1256.1 | 1287.5 | 1251.3 | 1249.3 | 1287.5 (18/5) | 729.1 (2/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 187.39 | 186.58 | 188.38 | 188.32 | 230.60 (2/1) | 186.58 (18/5) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/84) | 4569.60 | 4635.0 | 4683.0 | 4665.70 | 4683.0 (15/5) | 3987.86 (9/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 203.86 | 204.50 | (c) | 217.57 (22/1) | 189.64 (6/1) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 513.9 | 514.2 | 516.7 | 518.0 | 519.1 (7/5) | 425.2 (5/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 436.30 | 428.70 | 435.20 | 449.60 | 460.4 (26/3) | 392.0 (2/1) |
| Ind Tendance (31/12/86) | 108.20 | 106.70 | 107.50 | 112.30 | 117.2 (26/3) | 97.8 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 579.22 | 582.60 | 584.76 | 591.84 | 676.84 (6/1) | 538.32 (19/3) |
| Commerzbank (1/12/53) | 1752.20 | 1762.0 | 1767.0 | 1788.30 | 2048.3 (6/1) | 1633.8 (19/3) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2881.47 | 2875.45 | 2872.19 | 2853.92 | 2939.05 (3/3) | 2449.88 (20/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital (1972) | 697.77 | 700.22 | 716.96 | 725.46 | 767.34 (30/4) | 673.60 (3/3) |
| **JAPAN**** | | | | | | |
| Nikkei (16/5/49) | 24077.88 | 24298.98 | 24729.03 | 24651.44 | 24729.03 (15/5) | 18544.0 (13/1) |
| Tokyo SE New (4/1/68) | 2122.10 | 2139.36 | 2178.79 | 2169.45 | 2193.75 (11/5) | 1557.46 (13/1) |
| **NETHERLANDS** | | | | | | |
| ANP CBS Gen (1970) | 292.40 | 288.30 | 289.80 | 286.30 | 295.4 (9/4) | 257.7 (28/1) |
| ANP CBS Indust. (1970) | 256.50 | 257.90 | 260.0 | 259.30 | 274.9 (5/1) | 243.7 (28/1) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 421.04 | 420.58 | 421.71 | 413.04 | 436.16 (24/4) | 361.98 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times (30/12/66) | 1199.80 | 1193.90 | 1209.16 | 1204.94 | 1209.16 (15/5) | 889.08 (2/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | (u) | 2289.0 | 2266.0 | 2229.0 | 2308.0 (27/4) | 1786.0 (19/3) |
| JSE Indust (28/9/78) | (u) | 1957.0 | 1950.0 | 1938.0 | 1957.0 (19/5) | 1423.0 (2/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 222.77 | 223.70 | (c) | 219.85 | 255.95 (23/2) | 202.89 (8/5) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 2605.80 | 2586.50 | 2647.0 | 2656.1 | 2782.10 (6/5) | 2111.39 (28/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Corp (31/12/58) | 588.10 | 588.80 | 596.2 | 598.60 | 603.3 (6/1) | 564.5 (25/2) |
| **WORLD** | | | | | | |
| M.S.Capital Intl. (1/1/70) | (u) | 426.80 | 473.50 | 476.50 | 476.50 (8/5) | 361.3 (2/1) |

**Saturday May 2: Japan Nikkei 24,009.0 TSE 2,138.63

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

### NYSE—Consolidated 1500 Actives

| | Stocks Traded | 3.00p.m. Price | Change on Day | | Stocks Traded | 3.00p.m. Price | Change on Day |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | [illegible] | | | |
| Upjohn | 1,878,200 | 44⅞ | +1½ | Caesars | 1,338,200 | 33⅛ | + ⅛ |
| Amer Expr | 1,649,880 | 38⅝ | + ⅝ | Texaco | 1,251,100 | 36½ | unch |

Advances 318  Declines 968

### TOKYO – Most Active Stocks
**Tuesday, May 19, 1987**

| | Stocks Traded | Closing Prices | Change on Day | | Stocks Traded | Closing Prices | Change on Day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 34.58m | 357 | −1 | Mitsui Eng | 14.76m | 383 | +12 |
| Yamashita-Shin | 38.13m | 270 | +20 | Nisshin Steel | 11.89m | 403 | +3 |
| Toyo Menka | 18.85m | 408 | +8 | Hitachi Zosen | 10.95m | 212 | +2 |
| Japan Line | 18.30m | 208 | +15 | Ishikawajima Ind. | 9.95m | 656 | −4 |
| Mitsubishi Inds. | 16.14m | 555 | −6 | Morinaga & Co. | 9.89m | 820 | +59 |

### LONDON – Most Active Stocks
**Tuesday, May 19, 1987**

| | Stocks Traded | Closing Price | Change on Day | | Stocks Traded | Closing Price | Change on Day |
|---|---|---|---|---|---|---|---|
| Guinness | 104.5m | 361 | +11 | ASDA-MFI | 11.0m | 176 | +2 |
| Cadbury Schwps | 27.0m | 253½ | +1½ | Dee Corp | 9.7m | 229 | −12 |
| Brit Airways | 19.8m | 162 | −2 | All. Lyons | 8.1m | 431 | +1 |
| Gen Elect | 16.6m | 248 | −2½ | Cble & Wire | 7.8m | 418 | +7 |
| Brit Gas | 13.8m | 112¼ | −1½ | Dixons Gr | 7.8m | 389 | −5 |

## LONDON
Chief price changes (In pence unless otherwise indicated)

| RISES: | | |
|---|---|---|
| APV Baker | 710 | +25 |
| Alpine S Drks | 56 | +11 |
| Bemrose | 264 | +12 |
| Britoil | 227½ | +10½ |
| Brown (M.) | 669 | +78 |
| Chillington | 186 | +20 |
| Courtaulds | 466 | +18 |
| Fine Art Devs. | 295 | +18 |
| GRE | 965 | +26 |
| Guinness | 361 | +11 |
| LDH Hldgs. | 155 | +25 |
| Land Sec | 502 | +17 |
| Lloyds Bnk | 585 | +31 |
| MEPC | 475 | +20 |
| Miller (S.) | 120 | +10 |
| NatWest Bnk | 703 | +30 |
| Ratners | 375 | +14 |
| Reabrook | 210 | +32 |
| Royal Insce | 966 | +31 |
| Tarmac | 585 | +17 |
| Telfos | 120 | +25 |
| Upton (E.) A | 96 | +27 |
| Wilkes (J.) | 230 | +30 |
| Young Brew A | 475 | +70 |

| FALLS: | | |
|---|---|---|
| BPCC | 299 | −19 |
| Dee Corp. | 229 | −12 |
| Sainsbury (J.) | 534 | −21 |
| Scot. & Newc | 251 | −12 |

## OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

[illegible]

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 33⅝ | 20⅛ | AAR s | .50 | 1.7 | 21 | 83 | 30¾ | 30¼ | 30¼ | −⅛ |
| 37 | 21⅞ | ADT | .92 | 3.0 | 17 | 344 | 30⅝ | 30⅜ | 30⅜ | +⅛ |
| 27⅝ | 15¾ | AFG s | .16 | .6 | 11 | 415 | 25½ | 25 | 25¼ | +⅛ |
| 44¾ | 16¾ | AGS | | | 22 | 106 | 42¾ | 41¾ | 42 | −¾ |
| 13½ | 6⅜ | AMCA | | | | 183 | 8 | 8 | 8 | |
| 9⅜ | 4⅞ | AM Intl | | | | 1867 | 6¼ | 6⅛ | 6¼ | |
| 62⅛ | 47¼ | AMR | | | 11 | 2481 | 55⅞ | 53⅜ | 54 | −1¼ |
| 27½ | 25 | ANR pf | 2.67 | 10. | | 2 | 25¾ | 25¾ | 25¾ | −¼ |
| 25 | 20⅞ | ANR pf | 2.12 | 9.1 | | 2 | 23¼ | 23¼ | 23¼ | +¼ |
| 11¾ | 8 | ARX s | | | 12 | 277 | 11 | 10½ | 10½ | −¼ |
| 73½ | 28¾ | ASA | 2a | 3.1 | | 1184 | 64½ | 63½ | 64⅛ | −⅛ |
| 20 | 9¾ | AVX | | 1.9 | 85 | 514 | 18⅛ | 16¾ | 17 | −1½ |
| 67 | 41 | AbtLab | 1 | 1.8 | 23 | 7999 | 58⅜ | 53⅞ | 54⅝ | −3¼ |
| 34¾ | 25 | AccoWd | .62 | 2.1 | 18 | 104 | 29¾ | 29 | 29 | −⅞ |
| 15⅛ | 9 | AcmeC | .40 | 3.2 | 9 | 168 | 12⅞ | 12⅝ | 12⅝ | −⅜ |
| 8⅜ | 6⅛ | AcmeE | .32b | 4.1 | 30 | 6 | 7⅞ | 7⅝ | 7⅞ | |
| 23⅞ | 19 | AdaEx | 3.42e | 16. | | 122 | 21 | 20¾ | 20¾ | −⅛ |
| 19½ | 11⅜ | AdmM s | .24 | 1.6 | 11 | 49 | 15⅛ | 15 | 15⅛ | +¼ |
| 21½ | 12⅛ | AdvSys | .62t | 3.3 | 14 | 15 | 18⅝ | 18⅝ | 18⅝ | +¼ |
| 27⅜ | 12⅞ | AMD | | | | 4593 | 21⅛ | 20⅜ | 20½ | −⅜ |
| 54¾ | 49⅝ | AMD pf | 3 | 5.7 | | 385 | 52¾ | 52¼ | 52¼ | −⅜ |
| 10¾ | 5¼ | Adobe | | | | 73 | 9⅞ | 9¾ | 9¾ | |
| 20½ | 13¾ | Adob pf | 1.84 | 9.4 | | 5 | 19½ | 19½ | 19½ | |
| 21⅞ | 16⅝ | Adob pf | 2.40 | 12. | | 46 | 20¾ | 20¼ | 20¼ | −⅜ |
| 18⅝ | 11½ | Advest | .12a | .9 | 10 | 87 | 13⅞ | 13½ | 13½ | −⅛ |
| 68¼ | 53 | AetnLf | 2.76 | 4.9 | 9 | 3315 | 57⅞ | 56⅝ | 56½ | −½ |
| 53⅝ | 51⅛ | AetL pf | 2.81e | 5.4 | | 10 | 52⅝ | 52⅝ | 52⅝ | |
| 53⅞ | 22⅞ | AflPb s | .32 | .6 | 26 | 328 | 51¾ | 51 | 51⅛ | −⅛ |
| 28¾ | 18⅞ | Ahmans | .88 | 4.6 | 6 | 8178 | 19¾ | d18⅝ | 19⅛ | −⅝ |
| 5¾ | 2⅞ | Aileen | | | | 336 | 4¾ | 4¼ | 4¾ | +½ |
| 48½ | 29⅛ | AirPrd | .80 | 1.9 | 238 | 2620 | 44⅜ | 42⅝ | 42¾ | −2 |
| 35 | 16 | AirbFrt | .60 | 1.8 | 13 | 217 | 35⅛ | 34 | 34⅛ | −1 |
| 12 | 7⅝ | Airgas n | | | | 38 | 10¾ | 10½ | 10¾ | +¼ |
| 20⅜ | 16⅝ | Airlse | n1.03e | 6.1 | | 44 | 16⅞ | d15½ | 16⅞ | +⅛ |
| 17-32 | ¼ | AlMoan | | | | 98 | 13-32 | ⅜ | ⅜ | |


Continued on Page 49

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls. 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 30¼ | 18 | OvShip | .50 | 2.0 | 16 | 256 | 25⅞ | 24⅝ | 24½ | −1⅛ |
| 32⅜ | 8⅞ | OwenCn | | | 10 | 6622 | 25⅝ | 22⅞ | 23¼ | −1⅞ |
| 18 | 13⅛ | Oxford | .50 | 3.2 | 16 | 125 | 15⅝ | 15½ | 15½ | −⅛ |
| | | **P Q** | | | | | | | | |
| 39⅝ | 29⅛ | PHH | 1.04 | 2.8 | 17 | 209 | 36¼ | 36¼ | 36¼ | −½ |
| 49¾ | 29⅝ | PPG s | 1.08 | 2.9 | 14 | 2586 | 38¼ | 37½ | 37⅞ | −1½ |
| 17⅝ | 14¾ | PacAS | 1.54 | 9.9 | | 24 | 15¾ | 15⅝ | 15⅝ | −⅛ |
| 27½ | 19⅛ | PacGE | 1.92 | 9.7 | 10 | 6851 | 20¼ | 19¾ | 19⅞ | |
| 69 | 45 | PacLig | 3.48 | 6.6 | 13 | 1285 | 55½ | 53 | 53 | −2⅜ |
| 17⅜ | 13 | PacRes | .05e | .3 | 11 | 136 | 16 | 15⅝ | 15⅝ | −¼ |
| 27 | 22¾ | PacRs pf | 2 | 7.7 | | 3 | 26 | 26 | 26 | +⅛ |
| 17⅞ | 13 | PacSci | .40 | 2.5 | 30 | 39 | 16½ | 16¼ | 16¼ | −¼ |
| 31⅞ | 23¼ | PacTels | 1.64 | 7.1 | 9 | 6157 | 23⅞ | d23 | 23⅛ | −½ |
| 39 | 31⅜ | PacEnp | 2.52 | 7.8 | 9 | 1041 | 32⅞ | 32¼ | 32⅜ | −⅛ |
| 26⅞ | 14¼ | PacoPh | | | 18 | 123 | 21 | 20¼ | 20¼ | −⅜ |
| 39⅛ | 26 | PaloW s | .52 | 1.8 | 11 | 4328 | 29¼ | 28⅛ | 28¼ | −¾ |
| 26½ | 23 | PaloW pf | 1.37 | 6.0 | | 21 | 23 | d22⅞ | 23 | −⅛ |
| 7¼ | 4 | PanAm | | | | 2420 | 4⅝ | 4½ | 4½ | |
| 2¾ | 1 | PanA wt | | | | 82 | 1¼ | 1⅛ | 1¼ | |
| 33½ | 24¼ | PanEC n | .2 | 7.0 | | 2578 | 29¼ | 28½ | 28½ | −1¼ |
| 28⅛ | 10½ | Panill n | | | 13 | 298 | 13¼ | 12¾ | 13 | +⅜ |
| 22⅜ | 12¼ | Panspht | .12 | .6 | 20 | 432 | 20½ | 18¾ | 18⅞ | −1½ |
| 26⅝ | 6⅝ | ParPh s | | | 32 | 496 | 24¼ | 23⅝ | 23⅝ | −¾ |
| 11 | 3⅝ | Pardyn | | | | 276 | 6⅛ | 6 | 6 | |
| 24½ | 13⅝ | ParkEl | .16 | .7 | 16 | 86 | 22½ | 21¾ | 21¾ | −½ |
| 7⅞ | 2⅞ | ParkDrl(01) | | .2 | | 800 | 6¼ | 6⅜ | 6⅜ | −⅜ |
| 37⅝ | 20¼ | ParkHn | .80 | 2.3 | 16 | 1163 | 35¾ | 35 | 35⅛ | −⅛ |
| 4¼ | 2⅝ | PatPtr | | | | 104 | 4¼ | 4⅛ | 4⅛ | −⅛ |
| 28 | 11⅛ | Patten | s.88t | 5.3 | 17 | 901 | 18⅞ | 17⅞ | 18⅜ | +⅛ |
| 20⅞ | 9½ | PayNP | .40 | 2.0 | 36 | 205 | 20⅜ | 20⅜ | 20⅜ | −⅛ |
| [illegible] | | | | | | | | | | |
| 18⅞ | 11 | WyleLb | .32 | 1.8 | 32 | 110 | 17½ | 17⅜ | 17½ | |
| 25¾ | 16 | Wynns | .60 | 3.6 | 12 | 167 | 16⅝ | 16⅝ | 16½ | +⅛ |
| | | **X Y Z** | | | | | | | | |
| 81¼ | 46⅝ | Xerox | 3 | 4.0 | 18 | 5979 | 76⅛ | 73¾ | 74⅜ | −1⅝ |
| 58¼ | 55 | Xerox pf | 5.45 | 9.8 | | 74 | 55¾ | 55½ | 55½ | −¼ |
| 28¼ | 21½ | XTRA | .64 | 2.5 | | 77 | 25⅞ | 25⅝ | 25⅝ | −¼ |
| 24½ | 15½ | Yorkin | | | 15 | 408 | 23¼ | 23¼ | 23¼ | −¼ |
| 8 | 2¾ | Zapata | | | | 999 | 4⅞ | 4½ | 4⅝ | −⅛ |
| 42⅞ | 20¼ | Zayre s | .40 | 1.7 | 15 | 4516 | 24½ | 23⅞ | 24 | |
| 14¼ | 9⅝ | Zemex | .40 | 3.2 | 6 | 11 | 12⅝ | 12½ | 12½ | −⅛ |
| 28⅝ | 16⅞ | ZenithE | | | | 1481 | 28⅝ | 27½ | 27½ | −1 |
| 17½ | 8 | ZenLb s | | | | 1036 | 10¾ | 10⅛ | 10⅝ | +⅜ |
| 19⅝ | 12⅜ | Zero | .36 | 2.0 | 18 | 82 | 17¾ | 17¼ | 17¼ | |
| 51¼ | 32¾ | Zurnin | 1.32 | 3.0 | 17 | 197 | 45⅝ | 44 | 44 | −1½ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# OVER-THE-COUNTER

*Nasdaq national market, closing prices*

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

Continued on Page 47

# FINANCIAL TIMES

## WORLD STOCK MARKETS

AMERICA

# Higher interest rate threat hits stocks, bonds

### WALL STREET

A SUDDEN sell off in bonds triggered sharp losses in Wall Street stock markets yesterday as investors worried that higher interest rates would kill any hopes of an equity rally, *writes Roderick Oram in New York.*

Bonds plunged more than two points on a weaker dollar and rumours that Citicorp was about to announce huge sovereign debt loan-loss provisions. After the stock market closed, it unveiled a $3bn provision and second quarter loss of $2.5bn. The drop in bond prices pushed long bond yields above 9 per cent for the first time in 15 months.

Blue chips held up best under the pressure limiting the loss on the Dow Jones industrial average to 37.38 points at its closing mark of 2,221.28. At its worst shortly before the close it was off 45.

Selling was heavier and widespread among other stocks, however, pushing down the Standard & Poor's 500 index by 7.03 to 279.62, a loss of 2.45 per cent. The New York Stock Exchange composite index fell 3.52, or 2.18 per cent, to 157.93.

NYSE trading volume was moderately heavy at 176.4m shares with declining issues swamping those rising by a ratio of four-to-one.

With the prospect growing for a discount rate increase by the Federal Reserve, interest rate sensitive stocks such as banks, insurance companies and savings and loans were generally lower. Banks were also hit by the reclassification rumours.

Citicorp fell $1⅛, Manufacturers Hanover lost $1⅜ to $40¾, J. P. Morgan fell $1 to $41⅛, Cigna lost $¾ to $58⅛ and Great Western Financial gave up $1⅜ to $46.

Harcourt, Brace Jovanovich rose a further $1⅜ to $48 on more than 5.3m shares making it the most active NYSE issue. Analysts are expecting counter bids to the $44 a share takeover offer from Mr Robert Maxwell, the British publisher.

Bell and Howell leapt $3 to $47⅛. It said the sale of its 85 per cent stake in DeVry would result in a $4 a share extraordinary gain.

International Controls fell $¼ to $44⅛. It accepted a takeover offer of $44 a share from ICC Aquisition.

Several retailers reported higher earnings with a mixed effect on their share price. J. C. Penney gained $1⅛ to $47½ on a 56 per cent increase in quarterly earnings to 90 cents a share. Carter Hawley Hale lost $⅝ to $61, Federated Department Stores fell $½ to $41¼ and May Department Stores dropped $1½ to $40.

Hewlett-Packard fell $1½ to $62⅜ after reporting second quarter profits of 63 cents a share against 49 cents. *Among other computer makers,* IBM dropped $4¼ to $156¾, Digital Equipment gave up $2½ to $156¼ and Unisys fell $1⅛ to $113¾.

Intel fell $2¼ to $41. Advanced Micro Devices, down $⅝ to $20½, is suing the seminconductor maker for $1bn for alleged violation of a long-term partnership agreement. *AMD also announced yesterday a* definitive merger agreement with Monolithic Memories, unchanged at $17⅛.

Credit markets traded quietly in a narrow range yesterday as bond prices edged a fraction lower during the morning. But prices plummeted from mid-afternoon on rumours of Brazilian loan reclassification by major banks.

The price of the 8.75 per cent benchmark Treasury long bond finished the day down 2⅝ points at 96⅛ yielding 9.09 per cent. Reflecting a flight to quality from bank paper into government securities, interest rates on short-maturity bank certificates of deposits and bankers' acceptances jumped about 12 basis points to around 7 per cent while three-month Treasury bills fell 33 basis points to 5.83 per cent.

The Federal Reserve failed for a second day to supply reserves to the financial system, increasing speculation it was tightening its policy. The Fed funds rate at which banks lend reserves to each other was virtually unchanged, however, at 6⅝ per cent.

The lack of Fed action this week has increased the chances of an increase, perhaps as early as this week, in the Fed's discount rate from 5½ per cent, analysts believe.

### CANADA

RETURNING after Monday's holiday, the Toronto market turned lower in the wake of two declining sessions on Wall Street. Most major stock groups weakened, with resource issues leading the market downwards.

Among actives, Alcan lost C$1⅛ to C$39⅝, Falconbridge was down C$⅛ to C$22⅝, and Northern Telecom eased C$⅝ to C$25⅝.

Oil and gas shares followed the trend. Shell Canada lost C$⅝ to C$47⅛ and Gulf Canada was down C$⅛ to C$31⅛.

Industrial issues also lost ground, but bank shares resisted the weaker bias. Bank of Montreal put on C$⅛ to C$33⅞ and Toronto Dominion Bank firmed C$⅛ to C$27⅝.

Montreal followed the downward trend.

SOUTH AFRICA

CONTINUED profit-taking and little in the way of fresh support for the *bullion price left Johannesburg* gold share prices sharply lower after recent highs.

Industrials followed the trend, and overall trading was dull, with minimal corporate activity.

Vaal Reefs lost R10 to R450, Kloof R1.50 to R46.75 and Bracken 50 cents to R7.30. Diamond share *De Beers slid 25 cents to R40.75.*

Anglo American fell R1.50 to R80, and mining financials eased in sympathy. Anglo said about 16,000 workers at its New Denmark Colliery returned to work, ending a stoppage which began last Friday.

**David Goodhart** profiles the Rolls-Royce chief on the day share dealing starts

# A renaissance man of UK industry

SIR FRANCIS TOMBS, chairman of Rolls-Royce, the aero-engine maker, is something of a rarity among UK industrialists.

He is the epitome of the engineer-technocrat who left school at 16 and, having failed to become a journalist, joined GEC, the electronics conglomerate, as an office boy on £2.50 ($4.20) a week.

Subsequently, he picked up qualifications, starting in electrical engineering, as fast as promotions, and in 1977 became chairman of the state-run Electricity Council.

The fact that his expertise in both mechanical and financial engineering is considered so unusual may be one cause of the decline in British manufacturing which, in recent years, Sir Francis has helped to stem.

His rather quiet, unassuming manner does not deceive those with whom he works. He is not only able to provide a wide experience of technology, finance, management and politics, but he is also decisive.

As one broker explained: "I was having lunch with him a few years ago and he was moaning about a public relations firm working for one of his companies. I recommended another firm with relevant experience and he got up from the table and hired them on the spot."

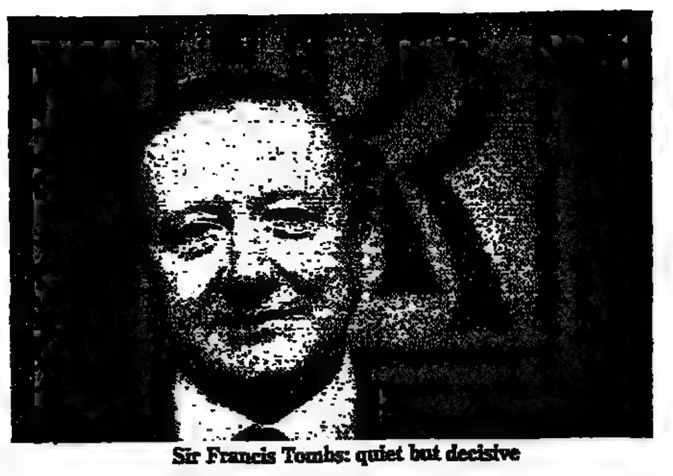
Having left the Electricity Council in 1980 with a clearer understanding of the political machine, he became a director of the merchant bank N. M. Rothschild and thus moved into the hot-seat as the Bank of England's favourite "company doctor."

In 1982, he became chairman of Turner & Newall, the stricken mining and engineering group, after 16 banks approached the Bank of England in search of a financial lifeboat.

The turnround of T&N was capped at the end of last year by the controversial, but successful, bid for AE, the engineering group, which has further reduced T&N's historic dependence on Africa and asbestos.

Now 63, such a curriculum vitae could scarcely be more appropriate for the man guiding Rolls-Royce back to the private sector. Just as the 1971 collapse of the aero-engine group hammered home the reality of decline, so its recent recovery and current privatisation is seen by many as a powerful symbol of renaissance.

Sir Francis has some claim to the title of manufacturing's renaissance man. He is even chairman of the Engineering Council and the Advisory Council for Applied Research and Development, which gives him seats at the heart of the political debate about the state of industry.



Sir Francis Tombs: quiet but decisive

EUROPE

# Bargain hunters boost Frankfurt

EUROPE'S recent bearishness was unchanged despite a slightly firmer dollar, and investors in many bourses even failed to take cheer from good domestic company and interest-rate developments. French, German and Swedish shares, however, staged slight technical recoveries.

Frankfurt firmed, but closed off the day's highs as profit-takers trimmed early rises built on bargain-hunting and confidence over the stronger dollar. The midsession Commerzbank index fell 9.8 to 1,752.2.

Most sectors regained recently lost ground. In cars, Daimler recovered DM 16.50 to DM 962.50 prior to today's results, VW gained DM 7.00 to DM 356.00 and Porsche picked up DM 9.00 to DM 837.00.

Chemicals BASF and Bayer added 50 pfg and DM 1.10 to DM 277.00 and DM 307.30 respectively. Schering, the pharmaceutical group, halted its slide with a DM 6.80 rise to DM 536.00.

Retailer Karstadt, however, fell DM 2.00 to DM 440.00 in spite of news that its parent company boosted profits 63 per cent in 1986. Kaufhof fell DM 9.00 to DM 480.00.

Lufthansa also fell DM 3.00 to DM 172.00 in advance both of results and news after the close that it was to increase capital and reduce the state's holding.

Zurich edged further down under the weight of fears over higher US inflation and interest rates. Banks and insurers were worst affected, with Union Bank bearer losing SFr 125 to SFr 4,475 and Swiss Reinsurance bearer SFr 150 to SFr 15,800.

Among financial holdings, however, Holderbank bearer picked up SFr 30 to SFr 4,480 in a slightly *firmer sector.*

Oerlikon-Bührle, the arms group, recouped SFr 25 of Monday's losses to SFr 1,200 after saying it expected to break even this year.

Brussels fell with the European trend and was depressed further by several large stocks trading ex-dividend. The Brussels SE index shed 65.41 to 4,569.67.

Insurers were hit by a selling flurry and Royale Belge, suffering from a dearth of orders following the end of the battle for ownership of the group, again fell by the maximum permissable 10 per cent, BFr 720 to BFr 6,480. AG lost BFr 500 to BFr 6,200.

Trading ex a BFr 360 dividend, Petrofina lost BFr 475 to BFr 11,025. Solvay, however, added BFr 125 to BFr 10,125 amid news it has taken an 80 per cent stake in Austria's Tekum.

Milan fell for the seventh successive session under the weight of domestic political *tensions.* News that financier Mr Carlo De Benedetti was being investigated in connection with the Banco Ambrosiano affair also dampened sentiment.

Olivetti and Buitoni, both Benedetti groups, lost L300 to L12,400 and L137 to L7,253.

All sectors suffered retreats. Fiat lost L190 to L12,590, Pirelli L113 to L5,397 and Montedison L35 to L2,665.

**Amsterdam** was mixed in quiet trade. Unilever added a further Fl 7 to Fl 639.50 after Monday's impressive results.

**Paris** firmed, helped by the *stronger dollar and Finance Minister* Mr Edouard Balladur's comments that Friday's sharp market fall was part of a wider stock market correction to recent rises.

Oils and constructions fared well.

**Madrid** fell in limited profit-taking. Banks were steady and metals and foods lost ground.

**Oslo** gained modestly, led by buoyant oil issues.

### LONDON SWEEPS TO RECORD

OPTIMISM over the growth in retail sales and the progress of the Conservative Party's election campaign swept London equity prices to further records in solid trade.

The FT-SE 100 index closed up 22.2 at an all-time high of 2,214.3.

The FT Ordinary also hit a peak, rising 22.6 to 1,719.0.

Gilts opened hesitantly but forged net gains of around ½ by the end of the session amid bullishness over sterling and domestic interest rates. Details, Page 46

# NZ blue chips rally

NEW ZEALAND'S stock market rallied yesterday following Monday's worst-ever setback, and many blue chip shares recovered some of the losses, *writes Dai Hayward in Wellington.*

The Auckland share tip sheet, which helped set off Monday's dramatic fall, sparked bargain-hunting by saying it believed the market had now fallen far enough.

Brierley Investments (BIL), a market leader, recovered just 1 per cent to NZ$3.25 but Carter Holt rose 6 cents to NZ$4.36, Chase Corporation 15 cents to NZ$3.50 and Equiticorp 15 cents to NZ$2.90.

Fletcher Challenge, which rose 8 cents yesterday to NZ$5.38, has again overtaken BIL as the dominant company in the Barclays index.

In October last year, BIL was rated first at a 20.25 per cent weighting on the index. Fletcher Challenge was second with 10.83 per cent. On the *latest index,* Fletcher has risen to 17.45 per cent and BIL is down to 13.45 per cent. This highlights the change in the market from last October, when BIL was selling at NZ$6.80 and Fletcher at NZ$5.62.

ASIA

# Institutions lead Nikkei lower

### TOKYO

WALL STREET'S continued weakness kept institutional investors shy of the Tokyo market yesterday and prices drifted lower throughout the day, *writes Shigeo Nishiwaki of Jiji Press.*

Small-lot selling dampened large-capital stocks and consumer issues such as electric powers, properties and budget-influenced stocks. However, speculators hunted some high technology issues and pharmaceuticals to earn short-term capital gains. Blue-chips also fared well.

The Nikkei average fell 221.10 to 24,077.88. Trading remained thin at 680.12m shares compared with Monday's 662.77m. Declines outran advances by 474 to 435, with 109 issues unchanged.

Large-capital stocks fared poorly. Nippon Steel, though topping the active list with 34.80m shares, finished Y1 lower at Y357. Mitsubishi Heavy Industries dipped Y8 to Y555

Construction issues and properties came under selling pressure. Taisei and Ohbayashi closed Y50 lower each at Y1,200 and Y1,180, respectively. Mitsui Real Estate dropped Y130 to Y2,870.

The yen's stability against the US dollar helped blue chips. Fanuc jumped Y420 to Y4,890, Pioneer Y120 to Y2,070, Sony Y50 to Y2,810 and Fuji Photo Film Y80 to 2,870.

Biotechnology issues attracted speculative buying, with Sankyo rising Y80 to Y2,050, Daiichi Seiyaku Y80 to Y2,150 and Chugai Pharmaceutical Y50 to Y1,880.

Speculators sought shippings on the strength of a recovery in the shipping market. Yamashita-Shinnihon Steamship was the second busiest issue with 30.13m shares changing hands and advanced Y20 to Y270.

Bond prices fell due to investor concern about the uncertain market outlook.

The benchmark 5.1 per cent government bond, falling due in June 1996, was bought in early trading and its yield fell to 2.890 per cent.

In afternoon trading, however, the benchmark issue was sold heavily on rumours that the Bank of Japan and the Finance Ministry might check speculative bond trading. As a result, the yield ended at 3.060 per cent compared with 3.030 per cent at the close of Monday's trading. In over-the-counter trading later, the yield reached 3.110 per cent.

### HONG KONG

EARLY boosts from both local and overseas buying by institutions gave way to late profit-taking in Hong Kong, but stocks closed steady. The Hang Seng index closed up 6.02 at 2,881.47, after rising some 22 points at midday.

Property stocks in particular posted strong gains, partly inspired by optimism regarding next week's government land auction.

Cheung Kong rose 25 cents to HK$42.25, HK Land 20 cents to HK$6.80, and Sun Hung Kai properties 20 cents to HK$15.30.

### AUSTRALIA

SHARP falls in the Sydney market on profit-taking followed Monday's surge in gold stocks, and the All Ordinaries index lost 20.1 from a revised Monday close to end at 1,838.7.

Resources and selected industrials declined at first, although the index closed off its lows. BHP set the tone, falling an early 40 cents before closing 16 cents down at A$9.74 in very thin trade.

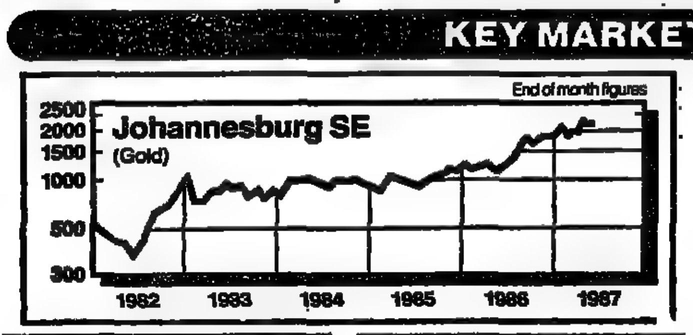
The market harboured rumours that a large parcel of BHP shares is for sale, possibly by Bell Resources, which owns 30 per cent of BHP.

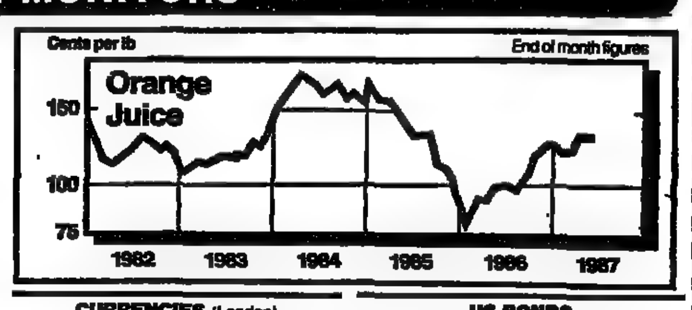
### SINGAPORE

ACTIVE trading in Singapore spanned a mixture of profit-taking on recent high-fliers and fresh interest in stocks ignored in past weeks. The combination led share prices to close on a mixed note, as the Straits Times industrial index rose 0.96 points to 1,199.89.

South Malaysia Industries led the advances with a 26 per cent rise to S$3.30, OUB rose 26 cents to S$4.28, and Hong Leong Finance 20 cents to S$4.00.

## KEY MARKET MONITORS




### STOCK MARKET INDICES

| NEW YORK | May 19 | Previous | Year ago |
|---|---|---|---|
| DJ Industrials | 2,248.27* | 2,258.66 | 1,755.18 |
| DJ Transport | 943.91* | 954.15 | 771.10 |
| DJ Utilities | 196.05* | 196.53 | 181.72 |
| S&P Comp. | 283.66* | 286.65 | 233.20 |
| **LONDON FT** | | | |
| Ord | 1,719.0 | 1,695.4 | 1,305.0 |
| SE 100 | 2,214.3 | 2,192.1 | 1,573.1 |
| A All-share | 1,103.10 | 1,093.66 | 780.41 |
| A 500 | 1,227.66 | 1,219.74 | 857.93 |
| Gold mines | 433.3 | 444.1 | 228.6 |
| A Long gilt | 8.87 | 8.93 | 9.17 |
| World Act. Ind (May 18) | 132.95 | 134.02 | 89.67 |
| **TOKYO** | | | |
| Nikkei | 24,077.88 | 24,298.98 | 15,697.5 |
| Tokyo SE | 2,122.10 | 2,139.36 | 1,237.11 |
| **AUSTRALIA** | | | |
| All Ord. | 1,838.7 | 1,858.8 | 1,197.9 |
| Metals & Mins. | 1,258.1 | 1,287.5 | 497.4 |
| **AUSTRIA** | | | |
| Credit Aktien | 187.39 | 186.58 | 252.91 |
| **BELGIUM SE** | | | |
| | 4,569.60 | 4,635.00 | (c) |
| **CANADA** | | | |
| Toronto | | | |
| Met.& Mins. | 2,854.5* | (c) | 2,040.0 |
| Composite | 3,790.8* | (c) | (c) |
| Montreal | | | |
| Portfolio | 1,869.01* | (c) | (c) |
| **DENMARK SE** | | | |
| SE | – | 203.96 | (c) |
| **FRANCE** | | | |
| CAC Gen | 436.30 | 428.70 | (c) |
| Ind. Tendance | 108.20 | 106.70 | (c) |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 579.22 | 582.60 | (c) |
| Commerzbank | 1,752.20 | 1,762.00 | (c) |
| **HONG KONG** Hang Seng | 2,881.47 | 2,875.45 | 1,765.02 |
| **ITALY** Banca Comm. | 697.77 | 700.22 | 905.56 |
| **NETHERLANDS** ANP CBS | | | |
| Gen | 292.40 | 288.30 | (c) |
| Ind | 258.50 | 257.90 | (c) |
| **NORWAY** Oslo SE | – | 420.56 | (c) |
| **SINGAPORE** Straits Times | 1,199.80 | 1,198.90 | 593.87 |
| **SOUTH AFRICA** JSE | | | |
| Golds | — | 2,289.0 | 1,148.7 |
| Industrials | — | 1,957.0 | 1,166.1 |
| **SPAIN** Madrid SE | 222.77 | 223.70 | 183.07 |
| **SWEDEN** J & P | 2,605.60 | 2,586.50 | (c) |
| **SWITZERLAND** Swiss Bank Ind | 588.10 | 588.80 | (c) |

### COMMODITIES (London)

| | May 19 | Prev |
|---|---|---|
| Silver (spot) | 540.55p | 560.45p |
| Copper (cash) | £907.00 | £922.50 |
| Coffee (July) | £1,330.00 | £1,372.00 |
| Oil (Brent) | $18.75 | $19.00 |

### GOLD ($/oz)

| | May 19 | Prev |
|---|---|---|
| London | $470.00 | $474.00 |
| Zürich | $470.25 | $475.25 |
| Paris (fixing) | $464.69 | $468.83 |
| Luxembourg | $471.85 | $476.15 |
| New York (June) | $478.30 | $473.80 |

### CURRENCIES (London)

| | US DOLLAR May 19 | US DOLLAR Previous | STERLING May 19 | STERLING Previous |
|---|---|---|---|---|
| $ | – | – | 1.6830 | 1.6840 |
| DM | 1.7780 | 1.7780 | 2.9925 | 2.995 |
| Yen | 140.00 | 139.95 | 235.50 | 235.75 |
| FFr | 5.9475 | 5.9425 | 10.01 | 10.075 |
| SFr | 1.4580 | 1.4600 | 2.455 | 2.46 |
| Fl | 2.0035 | 2.0035 | 3.3725 | 3.375 |
| Lira | 1,290 | 1,289.50 | 2,171.0 | 2,171.50 |
| BFr | 36.85 | 36.85 | 62.00 | 62.05 |
| C$ | 1.3405 | 1.3405 | 2.2570 | 2.2585 |

### INTEREST RATES

| Euro-currencies (3-month offered rate) | May 19 | Prev |
|---|---|---|
| £ | 8 11/16 | 8 7/16 |
| SFr | 3 15/16 | 3⅞ |
| DM | 3¾ | 3¾ |
| FFr | 8 11/16 | 8½ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 7 9/16 | 7 5/16 |
| 6-month US$ | 7 13/16 | 7 13/16 |
| US Fed Funds | 6 11/16* | 6⅝ |
| US 3-month CDs | 7.15* | 7.325 |
| US 3-month T-bills | 5.79* | 6.05 |

### FINANCIAL FUTURES

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| June | 89-00 | 89-28 | 88-28 | 89-28 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| June | 93.95 | 94.06 | 93.88 | 93.87 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| June | n/a | n/a | n/a | 93.28 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| June | 92.47 | 92.48 | 92.43 | 92.47 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| June | 125-18 | 126-24 | 125-16 | 125-24 |

### US BONDS

**Treasury**

| | May 19 Price | May 19 Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| 7¼ 1989 | 99 17/32 | 7.951 | 98 14/32 | 7.932 |
| 7 1994 | 91 11/32 | 8.681 | 91 29/32 | 8.616 |
| 8½ 1997 | 97 21/32 | 8.81 | 98 11/32 | 8.752 |
| 8¾ 2017 | 97 27/32 | 8.96 | 98 14/32 | 8.90 |

*Source: Harris Trust Savings Bank*

**Treasury Index**

| Maturity (years) | Return index May 19 | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 163.17 | +0.23 | 6.93 | –0.03 |
| 1–10 | 154.63 | +0.12 | 6.86 | –0.03 |
| 1–3 | 144.03 | +0.07 | 6.37 | –0.03 |
| 3–5 | 157.57 | +0.17 | 6.71 | –0.03 |
| 15–30 | 193.58 | +0.59 | 7.78 | –0.03 |

*Source: Merrill Lynch*

**Corporate**

| | May 19 Price | May 19 Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| AT&T 3⅞ July 1990 | 92.74 | 6.50 | 93.08 | 6.50 |
| SCBT South Central 10⅞ Jan 1993 | 103 | 10.17 | 103 | 10.17 |
| Phibro Sal 8 April 1996 | 90.58 | 9.60 | 90.31 | 9.65 |
| TRW 8⅝ March 1996 | 95.58 | 9.50 | 95.30 | 9.55 |
| Arco 9⅞ March 2016 | 98.75 | 10.01 | 99.25 | 9.95 |
| General Motors 8⅝ April 2016 | 82.625 | 9.96 | 83.15 | 9.90 |
| Citicorp 9⅝ March 2016 | 89.82 | 10.50 | 90.23 | 10.45 |

*Source: Salomon Brothers*

* Latest available figures

SECTION III

Wednesday May 20 1987

FINANCIAL TIMES

# SURVEY

A vigorous and dynamic society has been created in Turkey in the last eight years, but its long-term success depends on winning a sympathetic response for its application to join the European Community, as **David Barchard** reports from Ankara.

# Turkey

President Kenan Evren (left) with Prime Minister Turgut Özal: working together to lead the country into Europe. Pictures by Terry Kirk

CONTENTS



## Bold visions of change

TURKEY IN the late 1980s is a country steaming at full speed to a *rendez-vous* with Europe. Its claim to be considered a European country has never been stronger. But the economic and political recovery of the last eight years which has made that claim thinkable, is still precarious. Europe's response to the overtures from Turkey may have a powerful impact on the country's future.

The achievements of the last decade have transformed a country, once paralysed by political extremism and prostrate before its creditors, into a remarkably dynamic society where the quality of life and ideas seems to be constantly improving.

Turkey has shed the image of a closed, introspective society incapable of getting on top of its problems. This decade has seen not only a dramatic turn around in its fortunes, but the strongest progress since World War II. It is this which has made an application to join the EC a live option, no matter how audacious it may seem in Brussels.

In the big cities, shop windows are full of fashionable goods, some local and some foreign, almost all of them either unknown or unavailable a few years ago. Utilities such as water, telephones, electricity, once scarce or only fitfully available, are now taken for granted. Major infrastructural projects have been launched which should mean that the shortages have gone for good.

Most urban Turks are better fed, clothed and educated than they could have imagined a decade ago. Istanbul, which once threatened to become a Calcutta on Europe's doorstep, is increasingly becoming like any other large modern industrial metropolis.

The political environment in which these changes are taking place has little to do either with the country's political deadlocks and violent extremism of the late 1970s or with the repressive atmosphere of the early 1980s.

True, the legal system is still restrictive and somewhat authoritarian by European standards. There are still occasional jail sentences handed out upon journalists, or trials of offending publications. (The Turkish language edition of the Encyclopaedia Britannica is currently in trouble with the courts, for instance, for publishing "facts likely to weaken national feelings."), but opinions and criticisms are generally once more freely expressed in parliament and the media. A human rights' association, a development which Turkey has never seen before, was recently set up. It has made serious allegations of continuing problems, yet its very appearance is in itself a sign of change.

Most Turks assume that the combination of political liberalisation and economic dynamism will continue for the next few years. If the Prime Minister, Mr Turgut Ozal, has his way, Turkey will have been transformed by the 1990s into a bustling newly-industrialised society, with even higher growth rates than the 5 per cent or 8 per cent GNP increases of the past few years.

Yet there is a certain sense of fragility in the air, too. Most Turks welcome their Government's application to join the European Community but are not sure what will come of this move.

When, on April 27, it was announced that the EC's Council of Ministers had agreed to refer the Turkish application to the Commission for a formal opinion, rather than shelve it as the Greeks wished, there was a nationwide sigh of relief.

There are other causes for concern—because Turkey, under Mr Ozal, has opted for growth rather than stability, the balance of payments, a $31.4bn foreign debt burden, and continuing high inflation have to be set against the 8 per cent GNP growth (the highest for more than a decade) recorded last year and the 6 per cent or more expected this year.

Islamic fundamentalism has become steadily more visible. Turks are divided over whether or not it is a serious danger to stability, but there is little doubt that it alarms many westernised middle class Turkish families who feel that it is a threat to their way of life and to the country's integration with Europe—to which most of the fundamentalists are strongly opposed.

Above all, until Turkey has had its next general elections, it will not be clear whether the country's politics have undergone a real sea-change or whether the stability of the mid-1980s was simply a product of the military coup at the start of the decade.

With the life time of this parliament now beginning to draw to a close, Turkish businessmen and politicians find themselves asking some hard questions about the future.

If the Motherland Party cannot retain a majority at the next elections, then will it be replaced by parties which want to put the clock back to the 1970s?

Will the parties be able to form an effective coalition if none of them can win a majority?

Might the drift to the political extremes which bedevilled Turkey a decade ago, return?

Until Turkey has successfully traversed its next general elections, no one can be sure of the answers to these questions.

Many of them come to mind not only because elections are now, at most, only 18 months away and the Prime Minister has warned his party followers that there could be an early poll this year, but also because he himself was absent from the helm for nearly two months during February and March, undergoing triple by-pass heart surgery in the US.

Since his return, Mr Ozal has been if anything more energetic than in the past. Reforms of the financial sector continue. New legislation on health and a package of measures to stimulate agriculture and draw it into the tax system have been announced. There are plans to overhaul secondary education and perhaps make it fee-paying.

At the same time more pervasive transformations are being encouraged across the country. The task of bringing electricity to Turkey's 45,000 villages has been nearly completed under Mr Ozal. Strong emphasis has also been given to the backward eastern regions.

This year Eastern Anatolia, a region of remote and often inhospitable mountain land, pulled ahead of the much more developed western region of the country in its numbers of villages with electricity and telephones.

The thinking is that the arrival of electricity and the telephone will speed up the integration of rural communities into the national economy and modern society. To accelerate the process of cultural and educational modernisation, the Government is working on plans to use three channels of satellite television for teachers and students, and perhaps teaching by computer.

The boldness and originality of many of the Ozal Government's solutions to Turkey's problems arise directly from its perception that the country will have to transform itself radically in a generation if it wants to join the Community. There is also more than tacit recognition that eventually there will have to be a thorough-going liberalisation of Turkey's constitution and legal system.

"If you want to join a club," says the foreign minster, Mr Vahit Halefoglu, "You have to accept its rules."

Curiously, the criticism that Mr Ozal is attepting too much, too fast is seldom heard. His opponents in the country fasten upon altogether different issues.

For the press and opposition politicians, what matters are such issues as the impact of his policies on wage-earners and fixed income groups, or his alleged softness towards Islamic fundamentalists or the question of whether bans imposed by the military in 1982 on the pre-coup civilian political leaders should be lifted.

The steady social and economic transformation under way in Turkey since 1980 is hardly noticed. Many opposition politicians still speak as if, given half a chance, they would unleash the combination of price and import controls, subsidies, and spiralling wage claims which bankrupted the Turkish economy in the second half of the 1970s.

Mr Ozal believes that subsidies and price controls simply siphon away the goverment funds needed to provide effective services to the voters. His officials point to the chronic misery and insoluble problems of Third World countries where subsidies have become ingrained in the political process as an example of what Turkey narrowly escaped in the 1970s.

It is for this reason that a partnership with Europe inside the European Community appears to many industrialists and politicians as the natural way forward at this point in their country's history. Integration with the EC would accelerate and consolidate the changes already taking place in Turkey and may be the only way that the country will be able to continue to combine rapid economic development with political democracy.

With little chance of any answer, favourable or otherwise, from the Community before the next general elections, Mr Ozal's sights and those of his countrymen will focus mainly on party politics. But a positive answer from Europe to Turkey's request for full membership would powerfully assist further economic and political progress in the 1990s, just as a brush-off from the Europeans would probably encourage anti-Western and isolationist groups.

**Profile:** Hasan Celal Guzel, Government Spokesman

# Go-getter and heir apparent?

The Government spokesman, Mr Hasan Celal Guzel—a popular administrator, tipped to succeed Mr Özal

"BEING A politician after one has been a civil servant all your life amazes one," says Mr Hasan Celal Guzel. "You feel you have no armour to defend you. I was a classical bureaucrat and would have preferred to stay for a while on the backbenches after I got into Parliament. As it was, I was made a minister in the first week."

Behind these characteristically self-effacing words by Turkey's 42-year-old Government Spokesman lies one of the most remarkable rises in Turkish politics in recent years. For when asked whom they would like to succeed, in the fullness of time, to the party leadership, Motherland Party parliamentarians as often as not cite Mr Guzel as a possibility.

His life history combines very nearly the same ingredients as those of the prime minister himself—an interest in free market economics, a lengthy civil service background, a crisply right-wing line on most political issues—and strong personal religious piety rooted in family life in an Eastern Anatolian provincial town.

International civil servants who have worked with him recall Mr Guzel as a friendly go-getter who helped pilot them through otherwise insuperable bureacratic difficulties.

"When Hasan Celal was undersecretary in the prime minister's office," recalls one, "you could always rely on him when all else failed." Mr Guzel climbed to the dizzy heights of Undersecretary to the Prime Minister while in his mid-30s. Before that he had combined a 17-year-long career teaching economics to undergraduates, with periodic spells in the civil service.

Though he did not enter party politics formally until last summer (in 1983 he turned down an invitation from Mr Ozal to become a founder-member of the Motherland Party, saying that he thought it was too early to go into politics), Mr Guzel is one of the mainstream figures of what could loosely be called Turkey's new Right.

As a student leader in the 1960s he set up a right of centre student movement, eventually linked to the now dissolved Justice Party. "We were pragmatic rightists" he recalls.

"We tried to get some social democratic students to join in with us," he says.

In 1975 he acted for a while as advisor to the Justice Party leader, Mr Suleyman Demirel, later carrying out the same duties for a controversial director-general of the State Radio and Television. When the left was in power under Mr Ecevit, in 1978 and 1979, Mr Guzel left public life and went back to the classroom to teach economics and do research on economic growth.

When Mr Ozal came to the forefront again in 1980, Mr Guzel was one of his key lieutenants.

His position was confirmed by his election victory in his home town of Gaziantep last summer. Mr Guzel was a local candidate (the son of an artisan who later moved to the Ozals' home town of Malatya, where a family friendship began). But he faced a tough contest against a social democrat who was the favourite.

Mr Guzel's victory, after a campaign fought with all the trimmings of an American election including aeroplanes and voters' clinics, was one of the best pieces of news the Motherland Party heard in otherwise disappointing by-elections.

A genial, mild-mannered figure whom it is hard to imagine ever being out of sorts, *Mr Guzel has rapidly moved* towards the centre of affairs. He says however that high politics and Ankara life disagree with him.

"I prefer contact with ordinary people," he says. "Every week I try and make sure that I can go out to the Anatolian countryside. Ankara bores me."

Unlike most of the Ozal cabinet, he enjoys good working relations with Turkey's press.

He is also in the unique situation of having friendly links not only with the prime minister, but also with his arch-rival Mr Suleyman Demirel.

There has been speculation that if any bridge-building is needed in the next parliament to form a coalition, he will probably be the man to do it.

"Mr Demirel is a very constructive man to whom Turkey owes a lot of its economic development," he says. "I feel both respect and affection for him. But as for bridge-building, well Mr Demirel and Mr Ozal have been friends for 40 years. They don't need any assistance from the rest of us."

**David Barchard**

Opposition parties

# Strong challenge from Suleyman Demirel

THE RULING Motherland Party of Prime Minister Turgut Ozal has seen its popularity dwindling in the past year, but ironically it has not been the left-wing opposition which has capitalised on this situation. Instead another conservative group, the True Path Party, has emerged as one of two main contenders for power in Turkey.

The True Path, which is strongly backed by former Prime Minister Suleyman Demirel, who was toppled by the military in 1980, is regarded as the heir apparent of the former conservative Justice Party.

Mr Demirel was banned from active politics until 1992 by a provisional article in the Constitution drafted by the former military administration and approved in a national referendum in 1982. He actively campaigned for the True Path in the September 1986 by-elections despite the political bans and observers believe it was his popularity in the country that won the True Path four seats out of 11.

Since then Mr Demirel has been touring the country drawing large crowds at his rallies. Observers say the people have no alternative but to turn to Mr Demirel as the opposition parties represented in Parliament fail to offer any tangible remedies for the growing economic dissatisfaction especially among the low income groups.

The True Path was one of three parties disqualified by the military administration during the 1983 parliamentary elections. However, the party managed to enter the Parliament when a group of deputies joined the True Path after the military inspired Nationalist Democracy Party was dissolved in May 1986.

It has inherited the factional problems of the former Justice Party but these are negligible compared with similar problems among the left-wing parties as Mr Demirel is accepted as the undisputed father figure of the right-wing opposition.

The True Path party officials and party supporters are aware that without Mr Demirel power struggle and factional strife could easily destroy the party.

Two parties have emerged as the representatives of the left-wing in Turkey following the post-military regime confusion. The parliamentary main opposition Social Democrat Populist Party (SDPP) of Prof Erdal Inonu emerged as the leading left-wing force in Turkey in 1985 after the merger of the Social Democracy Party (SODEP) and the Populist Party (PP).

Ironically, both Prof Inonu and his SODEP were disqualified by the military administration in 1983 from taking part in the parliamentary elections while the PP was set up with encouragement from the military.

When the two parties merged, internal strife had reduced the PP to a sad state with little popular backing, while SODEP had emerged as the arch rival of the Motherland administration. Yet the merger proved costly for SODEP—instead of adding impetus to the left-wing opposition in Parliament, the factionalism that infested the PP began creeping into the SDPP. Deputies were soon defecting, gradually reducing the parliamentary strength of the main opposition party.

The September 1986 by-elections proved disastrous for the SDPP, which won a single seat and saw its popularity slip to 22 per cent from 31 per cent.

The SDPP is characterised as a party with too many heads and too many voices. The factional problems which hurt the now defunct left-wing Republican Peoples Party of former Prime Minister Bulent Ecevit are also now inflicting wounds in the SDPP. The party has also been charged with harbouring extremists in its ranks.

Prof Inonu has managed to forge an uneasy calm in the party yet this has not been sufficient to pull back the dwindling popular support for the party. On the contrary some left-wing supporters were seen chanting slogans in favour of Mr Demirel during a recent tour of the eastern Black Sea region.

The other left-wing group represented in Parliament is the Democratic Left Party (DLP) of Rahsan Ecevit, the wife of Bulent Ecevit. Mr Ecevit is another banned leader who took a very active role when the DLP was founded in November 1985. He is regarded as the natural leader of the left-wing in Turkey but as long as his hands are tied with the political bans his manoeuvrability is very limited.

Without Mr Ecevit at the helm of the DLP the party has been slow to expand its organisational structure.

The party entered Parliament, in December 1986 when a group of defectors from the SDPP decided to join it. However, since then deputies have been complaining that they have been left out of the party process and that the party headquarters have pushed them aside. Observers say the DLP is a one-man party where everything depends on Mr Ecevit, who has no apparent deputy.

The DLP did not do well in the by-elections, despite Mr Ecevit's active campaigning. It won only 9 per cent of the total votes which would not be enough to overcome the 10 per cent national requirement to win seats in Parliament. Because of their campaign speeches both Mr Demirel and Mr Ecevit had to face more than 40 court cases each.

The disharmony and confusion on the left-wing has helped the True Path as the alternative to Ozal's government. Much will depend on what happens to the political bans. Mr Ozal has been offering to lift the bans through a parliamentary motion which will be approved by the president and submitted to a national referendum possibly in early summer.

If the bans are not lifted the DLP may face an uncertain future, especially if the next general elections are held as early as the autumn of 1987, a year before the normal scheduled period. The True Path may depend on the active campaigning of Mr Demirel even with the current restrictions. With the bans lifted the former leader could pose a major challenge for Mr Ozal.

So, in the end, Turkey may find itself facing a showdown between Prime Minister Ozal and Mr Demirel.

**Ilnur Cevik**

The once and future king? Mr Suleyman Demirel, 61, appears to many as the only alternative to Mr Özal.

Dr Adnan Kahveci—chief adviser to the Prime Minister, and a one-man think-tank responsible for most of the Government's original ideas.

Turkey's Social Democracy Party, led by Professor Erdal Inonu, is struggling to retain second place in the next elections.

Keeping the seat warm for Mr Demirel—the True Path Party leader, Mr Hüsamettin Cindoruk.

Dilemma over Turkish EC application

# A difficult choice for the European Community

THE TURKISH Government and those sections of public opinion which follow the matter are well aware that their country's application on April 14 to join the European Community has not been received with general enthusiasm. Ambassadors from European Community countries lobbied actively behind the scenes late last year and early this year to persuade the Turks not to go ahead with an application in the near future.

Now, however, the die has been cast. Barring some major upset—another military takeover for instance—which would shelve the question of Turkish membership once more, the Community basically has two choices. It can brush aside the Turkish application, gambling that Turkey's adhesion to the western alliance would continue unchanged. Or it can come to terms with the Turkish application.

For the time being, however, the Community will wait. On April 27, the Council of Ministers referred the Turkish application, despite Greek protests, to the Commission for a formal "Opinion." This will take anything between 18 months and three years to produce and until it appears, no further action will be necessary.

Some officials in member states hope that the "Opinion" may offer the Community a not very polite way out. They say it will point out that Turkey is unfitted politically (because of its authoritarian constitution and curbs on human rights) and economically (because of its backward economy and low income per capita) to sign the Treaty of Rome.

By itself, however, a negative "Opinion" from the Commission may not carry the day. The Commission was brusquely over-ruled by the politicians a decade ago when it listed the obstacles to Greek entry into the European Community. The first of these objections, incidentally, was a warning that the Community must not become a party to the disputes between Greece and Turkey.

On the face of it, the auguries for Turkish membership do not look very good. Turkey's Association Agreement with the EC broke down economically 11 years ago and politically after the 1980 military coup. Its institutions do not meet regularly and Turkey has poor relations with the European Parliament where left-wing socialists and Communists continue to be outraged by the treatment it metes out to similar groups on its soil.

Less than two years ago, the then Community representative in Ankara was virtually *persona non grata* over a human rights controversy (in which, incidentally, four EC ambassadors supported the Turkish Government against the Commission).

Turkey's GNP per capita is put at around \$1,200 (though Professor Ali Bozer, the Minister of State who oversees relations with the Community, claims that purchasing-power parity calculations show it to be nearer \$4,000.

Laws on unions, political parties, associations, and, indeed, most forms of political activity are so tight as to be unacceptable in most Community countries.

In Turkey these restrictions are justified as measures to prevent a breakdown of law and order, the kind of which paralised the country 10 years ago. And, indeed, the 1980s, despite harsh legislation, have been a far sunnier period for Turkey than the previous two decades.

Above all, there is the fact that Turkey is already as large in population as the largest Community states—around 52m—and likely to grow to perhaps 80 to 100m over the next half century.

The task of tailoring the Community's institutions to admit Turkey, even if it was not already preoccupied with the admission of Spain and Portugal, would be daunting.

Turkey has, however, several strong arguments for joining the Community. The first of these is that public opinion seems united on the issue.

"All our members in the business world, all the main opposition parties and the labour members are in favour of joining the European Community," says Mr Omer Dinckok, President of Tusiad, the Association of Turkish Businessmen.

Opinion polls bear out his claim. A referendum on membership in Turkey would probably have a much bigger majority of 'yes' votes than Britain did in 1975.

Secondly, the Community conceded Turkey's right to eventual full membership, probably around the end of the century, in the Treaty of Ankara, 20 years ago in 1964. It also, perhaps not thinking ahead, made other guarantees to the Turks which in the fullness of time, it has not been able to honour.

Among these is a treaty commitment, thought by Community lawyers to be legally binding, to allow the free migration of Turkish labour throughout the Community after December 1986.

"Turkish entry into the Community is going to be a long process," says the Foreign Minister, Mr Vahit Halefoglu, "and during this process, both sides will have to adapt themselves to the conditions required.

"If Turkey needs to make some amendments to its legislation, I am sure the Government will be ready to do it."

Turkey's membership of the Council of Europe had at most only a modest liberalising influence on the country, largely because the Council's members did not press certain political issues too hard. It is recognised that the terms of the Treaty of Rome will be more exacting.

In Ankara, top government officials have begun to think the unthinkable and review the legal and institutional changes that will be needed for EC membership. This year, Turkey allowed its citizens to petition the European Commission on Human Rights—though not as yet to start cases in the European Court.

This is a big, if partial, advance. Martial law cases (and most of Turkey's controversial human rights trials have been heard in martial law courts) would not be subject to appear.

"But France also makes an exception on this point," says Mr Tashan, head of the Foreign Policy Institute in Ankara, a body which has been pressing for EC membership for many years.

"I think the major psychological barrier is really about where the boundaries of Europe lie," Mr Tashan says. "The real problem is the backwardness of the economy and the appearance of the peasantry whose dress appears very different to Europeans.

"But that is a passing phenomenon. There is a continuous process of urbanisation going on. The number of Turks living in the towns has risen in 20 years from 20 per cent to 50 per cent."

Mr Tashan believes that Turkey will ask for only a very limited direct transfer of resources from the Community if it enters.

"Proportionately, it will be much lower than Greece and more than offset by an increase in Turkey's imports from the Community.

"In applying, we have partly been guided by the fear that our competitors will shut us out," says Mr Haluk Ceyhan of the IKV, an Istanbul-based research foundation which studies Turkish: EC relations.

"Even with agricultural products, for instance, the Community imposed high minimum import prices on traditional exports such as dried raisins, oranges, and olive oil after the Greeks joined the Community."

Turkey has some friends in the Community. They include the Spaniards who, perhaps, understand more than most the difficulties a newly-industrialised society has in establishing a democracy; also the Belgian Foreign Minister, Mr Leo Tindemans, and (most surprisingly) the EC Commissioner for Mediterranean Affairs who seems to have undergone something of a Damascus road conversion during his first ever visit to Ankara last summer.

But the obstacles bristle and Turkey's enemies are numerous. What will happen if the application is rejected?

Almost certainly Turkey will try to go it alone economically, copying the examples, dear to Mr Ozal's heart, of Singapore, South Korea, and Japan. This will almost certainly sound the eventual death-knell of liberal democracy, at least for a while in the country.

And there is no doubt that the Turks, barred from the European Community of nations, would increasingly ask themselves whether they were not giving more than they got to a Nato alliance whose other members did not treat them as political and economic equals.

**David Barchard**

April 14, 1987: The Turkish Prime Minister, Mr Turgut Ozal, meets with ambassadors of the European Community countries in Ankara to inform them officially of Turkey's application to become a member of the EC.

In this article for the Financial Times, Mr Turgut Ozal, the Prime Minister, states Turkey's case for full EC membership.

# My vision for Turkey

DURING the years leading up to 1980, Turkey was on the brink of civil war, the result of the polarisation of politics and of economic crisis. The economy had come to a virtual halt with national income declining in real terms, three digit inflation and the country unable to import even the most needed items.

At this point it became clear the existing and inward-looking economic policies, based on import substitution and heavy state intervention, could no longer be pursued.

A set of economic austerity measures was introduced and strengthened after 1983 elections which brought the return of the Motherland Party.

At present Turkey services its debt smoothly and no balance of payments difficulties are in sight, despite the fact that falling oil prices have reduced the market for Turkish exports in the Middle East.

It is this success that has encouraged us to apply for full-membership. We believe Turkey is justified in making its application especially in the light of its continuous and rapid advance towards industrialisation and a competitive outward-looking liberal economy. It is perhaps the only European country applying the rules of the market economy in its agriculture.

Turkey's application has now been referred to the Commission and to date no country has been rejected once this process has begun. We consider, therefore, that the achievement of full-membership is only a matter of time provided we take all necessary measures.

Turkey believes that reactivation of association agreements should proceed together with the preparation for full-membership. We have to keep in mind, however, that hitherto customs unions have always been achieved within membership. Turkey stands ready to co-operate with the Community to strive towards this objective provided that the latter also assumes its obligations emanating from the agreements.

Financial assistance will be crucial in accelerating this process, but we have a broad and flexible approach in this respect. Financial flows may take the form of foreign investment and medium-term commercial credits can also be included in this definition. Last but not least, financial protocols should be rendered operational.

A new balance of mutual benefits should be established in such a way so as to enable the parties to take on increasing obligations. Two interrelated factors should be taken into account in determining the volume of financial inflows, namely the extent to which the parties are prepared to reduce their tariffs and to fulfil their obligations in other fields.

There are certainly limits to Turkey's ability to reduce its tariffs while its textile exports (which represent almost half of its total exports to the EC) are subject to quantitative restrictions. On the other hand, financial assistance is also important until such time as the right of the free movement of workers will be realised. Finally, we have to improve greatly our agricultural trade.

This process is definitely mutually beneficial. The Community will not only have a competitive edge in a market with a great potential for growth. It will also have a privileged position with respect to large-scale infrastructure and other projects.

At the moment, the projects underway and under preparation in Turkey are enormous by any standards. Electricity output will grow more than 50 per cent in less than two years and quadruple at the turn of the century, reaching about 150bn kilowatt/hours. Investment in the communications sector will create one of the most modern networks in the world. A wide ranging programme launched recently will entirely computerise the education system.

In order to rectify regional imbalances, a vast integrated multi-project scheme is under construction in south-eastern Anatolia which will double Turkey's agricultural production.

A massive housing programme entered its third year with an annual rate of 150,000 units. Turkey has also started 1000 kms. motorway construction project and 3000 kms. more will be constructed before the turn of the century.

Completion of these projects and the new ones which will be initiated in due course will prepare the Turkish economy for full membership. The growth rate, which is at the moment twice as high as the EC average after the birthrate is deducted, will thereby be further accelerated. Steps towards Customs union will not only facilitate this progress but will also create a complementarity between the economies of the parties.

Therefore, it is high time that we strengthen our cooperation with the Community in order to create a new Turkey—indeed, a new Europe with Turkey.

Foreign policy

# Surviving in a troubled region

LIKE MOST of the other countries which have applied for membership of the European Community in the 1970s, Turkey's desire for membership springs partly from a sense of isolation.

Turkey has six neighbours. Two of them, Iran and Iraq, are at war. Another one, the Soviet Union, is viewed as an expansionist power with historical ambitions which stretch back to the time of Peter the Great. Bulgaria and Syria are its close regional allies.

Bulgaria for the past two years has been forcibly assimilating up to 1m ethnic Turks who live within its borders.

Turkey's one ally among its neighbours is Greece—a country with which it came close to war last month and whose prime minister is resolutely opposed to any form of dialogue with Ankara.

Syrian, Greek, and Bulgarian coolness towards Turkey arises partly from the fact that until not very long ago, all three countries were parts of the Ottoman Empire. The tension is less strongly felt in Baghdad where a certain Ottoman consciousness and affinity with Istanbul survived the break up of the Empire.

This sense of encirclement on a map which basically dates back only to the end of World War One helps explain why all Turkish governments tend to proclaim Ataturk's maxim "Peace at Home and Peace Abroad" and participate eagerly in all the different international gatherings—Balkan, Middle Eastern, "Northern Tier," Asian, Islamic, as well as European and Nato—in which the country is entitled to play a part.

At least until recently there was also a very strong underlying neutralist thread in Turkish foreign policy. From 1924 to 1944, Turkey and the Soviet Union had a non-aggression pact. Turkey stayed out of World War Two, even though it had Treaty commitments to France and Britain.

Turkey's alliance with the West from 1947 onwards was a direct response to the growing power of the Soviet Union and a perceived threat from the North. Today it maintains the second largest standing army in the Nato alliance—600,000 men—and because of its strategic position, running between the Balkans, the Caucasus, and the Middle East, is of very great importance to the alliance, especially since the revolution in Iran.

Relations between Turkey and its Western allies have not always been easy, however. This is partly because of its inward-looking bureaucratic traditions, and partly to do with its regional interests.

The bureaucratic streak in Turkish life still leads many officials to regard even serving officers from Nato member-states as potential foes.

When Britain's GKN displayed their Armoured Personnel Carrier, the Warrior, earlier this year, the British Military attaché in Ankara was barred from attending because the equipment trials were taking place on a military base.

Regional interests make Turkey reluctant to extend too much in the way of military facilities to the US.

It has never, for instance, allowed any actions involving the US military facilities, near Adana, which could be regarded as supporting Israel—even though, alone among Islamic countries other than Egypt, it maintains formal diplomatic links with Israel while at the same time enjoying good bilateral relations with most of the Arab radical states, including Libya.

Over the last few years, however, there has been a perceptible shift away from the once-close relationship with Libya, and towards better relations with the Arab moderates in general and Egypt in particular.

The balancing act is not always easy in a stormy part of the world. Secular, but Sunn'i Turkey does not find it easy to maintain good working relations with the Islamic revolutionary Shi'ite regime in Teheran, for many centuries Turkey's chief rival in the Islamic world.

Turkey seems, however, to have been able to overcome persistent Iranian suspicions that its foreign policy is secretly tilted towards Iran.

It has had much more difficulty where the profoundly anti-Turkish sentiments of Greek and Armenian emigré groups are concerned—and activities by Greek and Armenian lobbyists have placed very severe strains on Turkish-American relations, and thus on the general Turkish relationship with the alliance.

Part of the dispute is simply historical. Armenian groups, some of whom staged a bloody terrorist campaign against Turkish diplomats during the 1970s and 1980s in which more than 45 people, including several ambassadors, were murdered, accuse Turkey of an alleged genocide of Armenians living in the Ottoman Empire during World War One.

With Greece and Cyprus, however, there is the constant fear of possible future Turkish expansion, and a resolute unwillingness in Greece for dialogue. The Ozal Government has been calling for renewed dialogue with Greece since 1984. There is little chance of this happening.

On coming to power in Athens in 1981, Mr Andreas Papandreou broke off all bilateral exchanges, including regular six-monthly meetings of officials from the foreign ministries of the two countries.

As a result, even minor issues which would not normally have political significance become highly politicized and contentious.

Relations with the US, Nato and the European Community became a tug of war between the two countries.

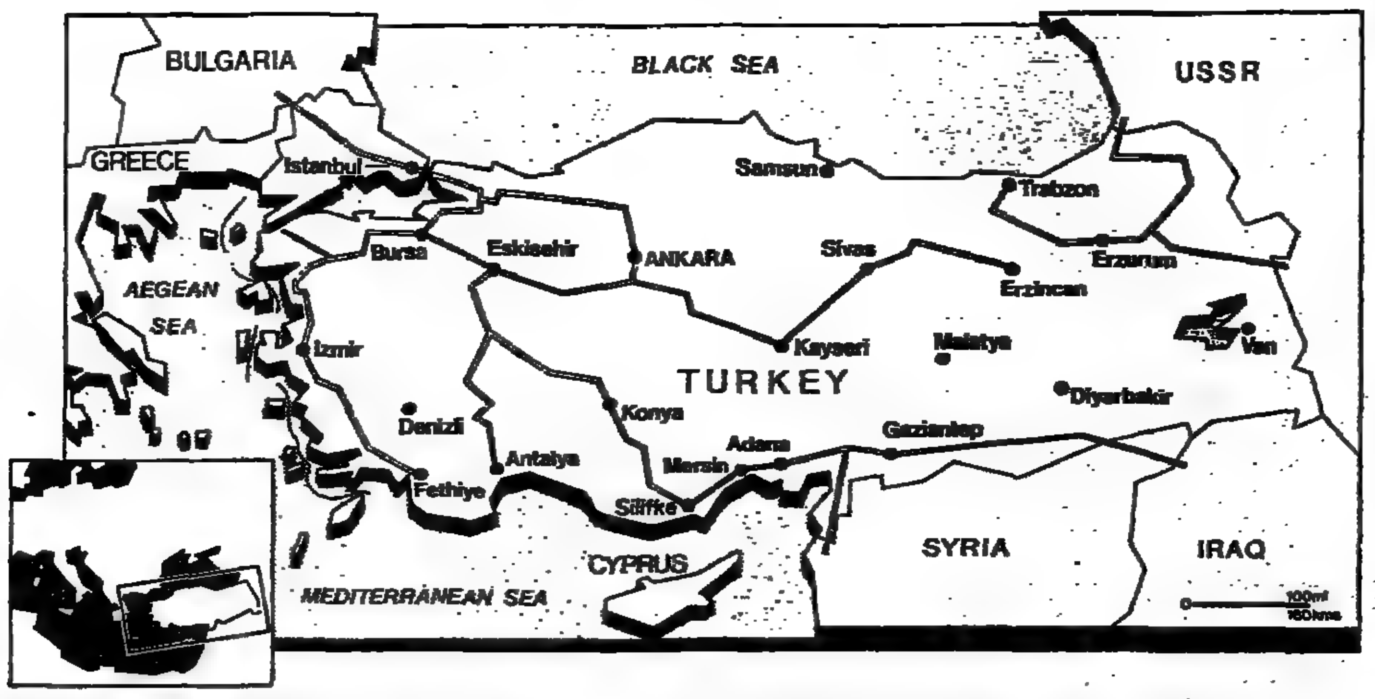
Turkey's officials have yet to learn how to communicate effectively with public opinion in Western societies, and tend to expect allied governments to act on their behalf against unfriendly parliaments and lobbyists.

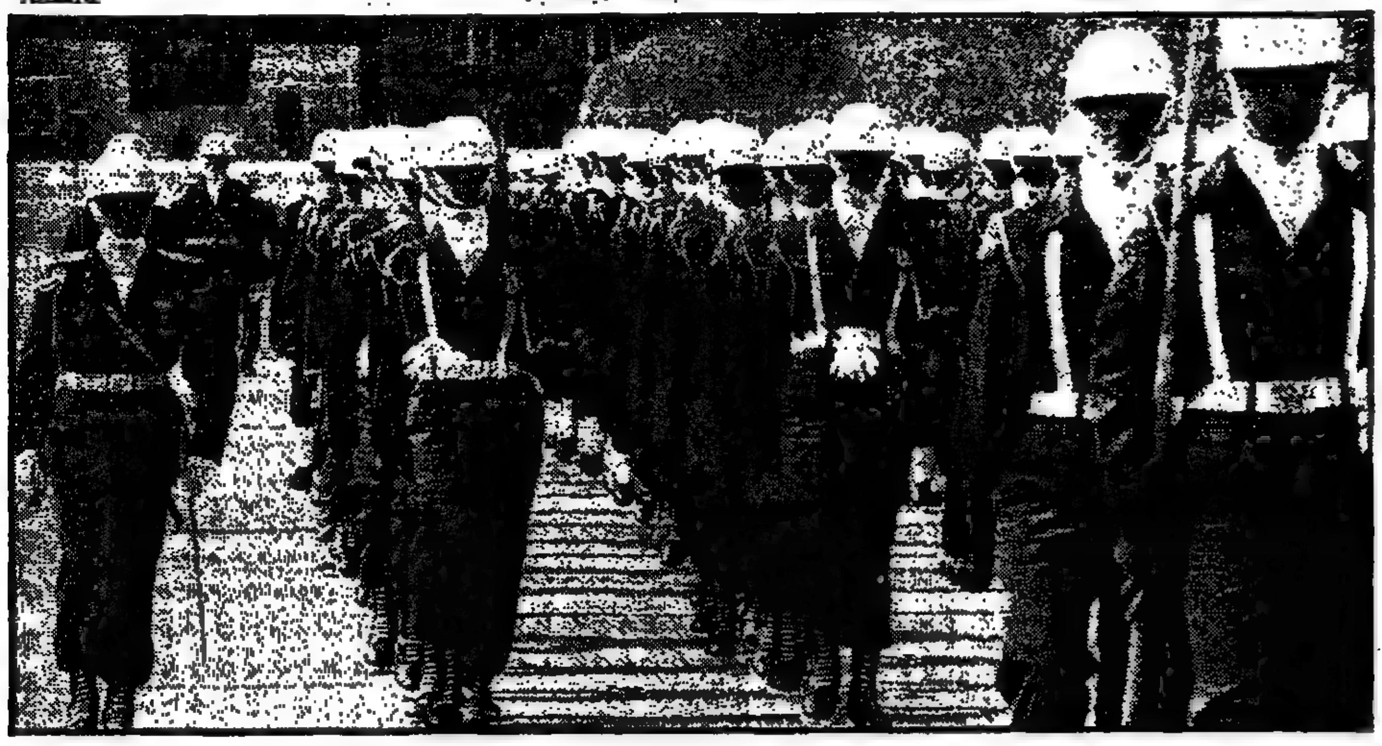
This may work in some countries. It certainly does not work in Washington. Turkish military and economic aid from the US has been pruned over the last year from over $900m to $569m and linked to what the Turks see as extraneous issues such as progress to a settlement on Cyprus.

Turkey has protested indignantly but to no effect, lacking friends in Congress and voters among the US public. The Turkish response is complicated by the perception of its leaders that Turkey's defence interests coincide with those of the US. So there are few practical alternatives—or even possible forms of retaliation. As a result, the last two years have seen some unhappy haggling over the US-Turkish Defence and Economic Co-operation Agreement, supposed to be renewed every five years.

The US is betting that Turkey cannot afford to make any radical changes in its defence arrangements. But it may be making a mistake about the depth of resentment building up in Ankara. One sign was President Kenan Evren's decision on May 4 to call off a visit to the US that would have been his first-ever official visit to a Western country.

**David Barchard**



The Presidential Guard of Honour in Ankara. Turkey today maintains the second largest army in the Nato alliance, with 600,000 men

## Turkey's export markets

● Values in $m, annually

| | 1985 | Percentage share | 1986 | Percentage share |
|---|---|---|---|---|
| ● OECD countries | 4,106.2 | 51.6 | 4,292 2 | 57 6 |
| EEC countries | 3,203.8 | 40.3 | 3,263 1 | 43 0 |
| West Germany | 1,391.0 | 17 5 | 1,444.0 | 19 4 |
| Belgium-Luxembourg | 161.8 | 2.0 | 195 1 | 2.6 |
| Denmark | 25.9 | 0.3 | 27 5 | 0 4 |
| France | 215.3 | 2.7 | 298 7 | 4 0 |
| Netherlands | 213.2 | 2.7 | 222 4 | 3 0 |
| UK | 538.7 | 6.8 | 334.2 | 4 5 |
| Ireland | 9.0 | 0.1 | 8 4 | 0.1 |
| Italy | 502.2 | 6.3 | 579.8 | 7.8 |
| Greece | 76.2 | 1.0 | 75.8 | 1.0 |
| Spain | 56.4 | 0.7 | 59.9 | 0 8 |
| Portugal | 14.1 | 0 2 | 17.5 | 0.2 |
| ● Other OECD countries | 902.4 | 11.3 | 1,029.1 | 13.8 |
| US | 508.0 | 6.4 | 549.3 | 7.4 |
| Japan | 42.6 | 0.5 | 99.0 | 1.3 |
| Switzerland | 128.4 | 1.6 | 162.3 | 2 2 |
| Austria | 122.5 | 1.5 | 111 2 | 1.5 |
| Others | 102.9 | 1.3 | 107.3 | 1 4 |
| ● Islamic countries | 3,408.2 | 42.8 | 2,607.1 | 35 0 |
| Middle East countries | 3,041.8 | 38.2 | 2,095.3 | 28 1 |
| Iran | 1,078.9 | 13.6 | 564.4 | 7 6 |
| Iraq | 961.4 | 12.1 | 553.3 | 7.4 |
| Saudi Arabia | 430.0 | 5.4 | 357.4 | 4.8 |
| ● North African countries | 327.6 | 4.1 | 476.1 | 6.4 |
| Libya | 58.8 | 0.7 | 135.8 | 1.0 |
| Egypt | 141.0 | 1.8 | 145.2 | 1 9 |
| Algeria | 109.0 | 1.4 | 177.6 | 2 4 |
| Tunisia | 15.8 | 0.2 | 13.6 | 0 2 |
| Morocco | 3.0 | 0.0 | 4.0 | 0.1 |
| Others | 38.8 | 0.5 | 35 7 | 0.5 |
| ● East European countries | 334.4 | 4.2 | 310.5 | 4.2 |
| USSR | 190.1 | 2.4 | 140.6 | 1.9 |
| Others | 144.3 | 1.8 | 170 0 | 2.3 |
| ● Other countries | 109.2 | 1.4 | 246.9 | 3.3 |
| TOTAL | 7,958.1 | 100.0 | 7,456.7 | 100.0 |

Source: State Planning Organisation.

## Gross fixed investment

● By sectors at 1986 prices in TL bn

| Sectors | 1985 | *1986 | Percentage change 1985 | Percentage change 1986 |
|---|---|---|---|---|
| ● Private sector | | | | |
| Agriculture | 294.1 | 247.0 | −17.0 | −16.0 |
| Mining | 21.4 | 23.4 | 19.4 | 9.3 |
| Manufacturing | 1,101.7 | 1,175.6 | 4.6 | 6.7 |
| Energy | 19.5 | 36.6 | −10.1 | 87.6 |
| Transport & Communication | 593.9 | 638.4 | 9.2 | 7.5 |
| Tourism | 62.7 | 82.8 | 59.7 | 31.9 |
| Housing | 1,038.2 | 1,349.6 | 17.0 | 30.0 |
| Education | 12.2 | 16.4 | 100.7 | 34.7 |
| Health | 16.1 | 23.4 | 136.1 | 44.8 |
| Other services | 145.9 | 159.4 | 8.2 | 9.2 |
| TOTAL | 3,305.8 | 3,752.4 | 7.8 | 13.5 |
| ● Public sector | | | | |
| Agriculture | 288.8 | 402.2 | −16.6 | 39.3 |
| Mining | 412.3 | 311.1 | 8.7 | −24.5 |
| Manufacturing | 562.9 | 412.8 | −11.9 | −26.7 |
| Energy | 1,091.8 | 1,109.4 | 10.3 | 1.6 |
| Transport & Communication | 1,345.1 | 1,654.7 | 38.9 | 23.0 |
| Tourism | 31.8 | 56.2 | −2.6 | 76.5 |
| Housing | 97.3 | 90.3 | 1.2 | −7.2 |
| Education | 173.4 | 197.4 | 28.4 | 13.8 |
| Health | 55.4 | 80.6 | 3.2 | 45.4 |
| Other services | 471.2 | 675.8 | 32.4 | 43.4 |
| TOTAL | 4,530.1 | 4,990.5 | 13.3 | 10.2 |

* Estimate

Source: State Planning Organisation.

Economic scene

# Planners tread a delicate path

TURKEY'S ECONOMY grew by 8% last year. Instead of rejoicing, however, officials at the State Planning Organisation hope the growth rate will slacken this year to around the planned 5 per cent.

Since 1983 Turkey has been trying to pursue ambitious and sometimes conflicting economic goals. It wants to develop a modern export-orientated industrial sector, but it also has to stagger along under a debt burden which began in the 1970s and now stands at around $31.1bn.

Thus, making sure that debt servicing does not flag is a top policy priority.

But ensuring that the turn around is not too painful, socially and politically is another goal. As a result, Turkey treads a narrow path. Balance of payments and debt-handling problems are kept under control, but need constant watching.

The results so far have justified the compromise. The restructuring of the economy has proceeded steadily. GNP has risen by more than 5% annually for the past five years. Living standards have fallen much less than Mr Ozal's critics would like the Turkish public to believe.

But some nagging doubts remain. How long will Turkey be able to go on trading off economic and political priorities against each other while the burden of external debt continues to rise?

Much of last year's growth came not from exports, which fell to $7.5bn from $7.9bn in 1985 because of the recession in petroleum-exporting countries such as Iran and Iraq, but from domestic demand. The current account deficit rose from $1,013m in 1985 to $1,528m just as Turkey was traversing the first of its "hump years" in its debt repayments schedule.

Payment of principal and interest on foreign debt came to $4,279m last year. This year, according to Central Bank Governor Zekeriya Yildirim, debt servicing obligations will amount to $5,100m—or just under 10% of GNP.

Can Turkey carry this burden and finance growth rates of more than 5% a year in its GNP?

The Ozal Government's strategy is based on the assumption that it can—just. But the going is tough, even if it is no longer overlaid today by the constant atmosphere of crisis management which suffused economic policy a year or two back.

Imported Nescafe, Danish Blue and tinned pineapple jostle more traditional fare such as Raki and white cheese in this Cankaya grocer's shop in Ankara.

At home, the Government remains committed to its policy of "soft landings". This means in practice that monetary and credit limits have never been reined in so tight as to trigger a spate of bankruptcies and insolvencies. When banks and large companies fall into unmanageable difficulties, they can usually rely on the state sector and the Treasury to act as a safety net.

This has kept interest rates high, deterring efficient businesses from making new investments. Many other companies have found themselves glued by their bad debts to the commercial banks with neither side able to set their books straight.

According to one estimate, problem loans make up between TL1,000 and TL2,000 of a total of TL8,500bn bank loans. Much of Turkish business has learned to live with chronic debt.

This is, of course, a lesser evil than going under altogether, but no one has yet worked out a solution to it. This spring the Government announced measures to allow banks to turn bad loans into equity and to give companies incentives (such as reductions in corporations tax) to broaden their ownership base.

The scheme, promptly dubbed the "bail out law" by the Turkish press, has won little favour with major industrialists who fear it will simply lead to more feather-bedding of inefficient producers.

Much of Turkish industry still relies on the lively and constantly expanding domestic market. In the white goods sector, for instance, imports still make up only 1 per cent of sales.

In general, however, industry, is being encouraged to export. A steady devaluation of the Turkish lira, which has fallen from $1 equalling Tl 256 when Mr Ozal took power in November 1983 to $1 equalling Tl 580 at the beginning of last year, to around $1 equalling Tl 800 today, is the main instrument used to encourage exporters.

Export subsidies are being lifted in response to pressure from Gatt, and the State Investment Bank is being refurbished as an export credit agency. In the 1970s, Turkish businessmen mostly knew little about exporting, unless they happened to be involved in the marketing of traditional goods such as raisins, tobacco, or cotton.

In the 1980s, Turkish manufacturers have learned how to market their industrial products abroad, helped initially by windfall conditions in Middle Eastern markets.

As a result, about three quarters of Turkey's exports are now of industrial products—around 3,000 items in all. The dependency on Middle Eastern markets has lessened.

Last year's performance was, considering that exports to Iran and Iraq plunged by about $1bn, not too disappointing. Turkey's main problem now is getting access to new markets in the industrialised world.

It has, after years of arguing, become the European Community's main supplier of textiles with an agreement which guarantees annual growth of around 6 per cent. But access to European markets for many other products is still difficult, the main reason perhaps why most Turkish industrialists believe that their country must join the Community.

The hardest market of all is the United States which has thrown up barriers against every Turkish industrial export from textiles to mirrors which showed signs of growing rapidly. The $647m surplus for the US in its trade with Turkey last year was actually higher than the $549m Turkey managed to export to America. Not surprisingly, this is one of the several points of fricton between the two countries.

Inflation came down to around 25 per cent in 1986, at least officially, though it seems to have taken an upward turn again in the first quarter of this year.

Expectation of continued inflation has fuelled demand for consumer durables and cars and discouraged savers, many of whom channel their funds either into gold (if they are farmers) or foreign exchange (if they are millionaires).

The Government has set a 20 per cent target for inflation this year, but it already looks unattainable. Raising interest rates again (they were lowered three times in the second half of last year apparently in response to the pleas of industrialists) might check its growth somewhat—but would be politically awkward in what may be an election year.

Public sector projects, about 70 per cent of them in the energy, transport and telecommunications sectors, still lead investment. Last year public sector investment, as has been usual throughout the 1980s in Turkey, outstripped private sector investment substantially—by TL 4.9 trillion (million million) ($7.6bn) to TL 3.7 trillion ($5.7bn).

Public sector investment, especially by the newly-powerful municipalities of the big cities, seems to have been the main culprit for the increase in the current account deficit. The Government has become much more careful about what it will permit, using the State Planning Organisation (SPO) to scrutinise and kill off as many new projects as possible.

It has also cut import exemptions for municipalities and raised import surcharges and stamp duties by three points to dampen down the expansion.

The SPO hopes that in 1987 public sector investment will not rise by more than 5 per cent, while private investment grows 6 per cent or 7 per cent in real terms. Two-thirds of private sector investment will go on housing and manufacturing, with housing alone taking 36 per cent of total investments.

So far, large foreign investors have been slow to set up in Turkey, though there has been a steady build-up of smaller investments and the number of foreign businessmen working in the country has grown rapidly. Government officials are hopeful that up to $500m in foreign investment will be made this year, pointing out that in the first quarter of this year alone, $147m of investments were approved.

If one of the "Build-Operate-Transfer" franchise model power stations gets under way, total foreign investment for the year may rise over the $1bn mark for the first time ever.

Confidence in the economy seems to be growing, despite the payments problems. But many potential investors are undoubtedly biding their time until the results of the next election are known.

**David Barchard**

### Balance of payments

● Figures in $m

| | 1983 | 1984 | 1985 | *1986 |
|---|---|---|---|---|
| ● Current accounts | | | | |
| 1. Merchandise exports (fob) | 5,905 | 7,389 | 8,255 | 7,583 |
| Exports fob in trade returns | 5,728 | 7,134 | 7,959 | 7,457 |
| Transit trade | 177 | 255 | 296 | 126 |
| 2. Merchandise imports (fob) | −8,895 | −10,331 | −11,230 | −10,664 |
| Imports cif in trade returns | −9,235 | −10,757 | −11,613 | −11,199 |
| Transit trade | −134 | 193 | −227 | −105 |
| Freight & insurance on imports | 474 | 619 | 610 | 640 |
| ● Trade balance | −2,990 | −2,942 | −2,975 | −3,081 |
| Other goods, services and income (credit) | 2,041 | 2,366 | 3,148 | 3,250 |
| Travel | 420 | 548 | 1,094 | 950 |
| Other | 1,621 | 1,818 | 2,054 | 2,300 |
| Other goods, services and income (debit) | −2,664 | −2,945 | −3,184 | −3,646 |
| Travel | −128 | −277 | −324 | −313 |
| Interest | −1,441 | −1,586 | −1,753 | −2,134 |
| Other | −1,095 | −1,082 | −1,107 | −1,199 |
| ● Total goods, services and income | −3,613 | −3,521 | −3,011 | −3,477 |
| Private unrequited transfers (credit) | 1,569 | 1,901 | 1,782 | 1,718 |
| Migrants' transfers | 0 | 0 | 0 | 0 |
| Workers remittances | 1,513 | 1,807 | 1,714 | 1,634 |
| Other | 56 | 94 | 68 | 84 |
| Private unrequited transfers (debit) | −20 | −15 | −20 | −15 |
| Official unrequited transfers | 235 | 229 | 236 | 246 |
| Current account balance | −1,828 | −1,407 | −1,013 | −1,528 |
| ● Capital, excluding reserves | 690 | 193 | 1,050 | 2,128 |
| Direct investment | 46 | 113 | 99 | 125 |
| Portfolio investment | 0 | 0 | 0 | 0 |
| Other long-term capital | −389 | 44 | −699 | 525 |
| Drawings | 677 | 1,151 | 1,159 | 2,670 |
| Repayment | −1,066 | −1,107 | −1,858 | −2,145 |
| Short-term capital | 1,033 | 36 | 1,650 | 1,478 |
| C. Net errors and omissions | 512 | 317 | −813 | −65 |
| D. Exceptonal financing | 622 | 1,002 | 676 | 0 |
| E. Counterpart items | 156 | −171 | 223 | 251 |
| Total: Overall balance | 152 | −66 | 123 | 786 |
| F. Total change in reserves | −152 | 66 | −123 | −786 |
| IMF | 112.0 | −141 | −103 | −241 |
| Official reserves | −264 | 207 | −20 | −545 |

* Provisional figures
Source: Central Bank

Privatisation plans

# State prepares for the big sell-off

MR CENGIZ ISRAFIL is the most senior of the handful of Turks whom Prime Minister Ozal enticed from lucrative jobs overseas and has been given the toughest job: privatisation.

The state sector is massive, accounting for 60 per cent of fixed investment and 40 per cent of output, making privatisation—which is expected to start in the fall of this year—a leviathan undertaking. But Mr Israfil is full of confidence and optimism.

"Turkey is going through a very crucial period in its history," he says. "We are going through a Turkish renaissance. The seeds that Ataturk planted are now blooming and, maybe, by the end of the year we will be able to eat the fruits.

"For now, the flowers have to be protected and the trees fed. I think there is a tremendous opportunity for Turkey to catch up with the West. And I saw an opportunity to seal a page from history."

Mr Israfil is descended from a Turkish Azerbaijani family which lived in the Causus mountains before they were decimated by the Soviets. Mr Israfil was born in 1942 in Poland where his father had escaped after the October Revolution.

When he was four, the family moved to Istanbul where Israfil spent his childhood. In 1959, Israfil's father emigrated to the US so that his children could be educated there. At 17 he graduated from high school and joined the US Navy where he "got involved in the Cuban crisis. I was on an aircraft carrier which stopped the Russian ships."

After his time in the Navy, Mr Israfil went to Columbia University where he graduated with a degree in pure maths; in 1967 he started working at Morgan in the operation research department. He first worked in the municipal bond market and then the stock and board markets. He eventually became head of research in government bonds, and in 1979 head of money market research. He also took over the responsibility for editing the Money Market Bulletin—a weekly publication of market commentary—which brought him fame through his accurate forecast of interest rate fluctuations. He began to be widely quoted in the international financial press. He kept this position until 1986 when he resigned to come to Turkey.

Mr Israfil's interest in Turkey led him to accept an assignment from the World Bank to prepare a paper on the modernisation of the Turkish monetary system which is currently in application. In 1985 when Morgan won the contract to prepare a master plan for the privatisation exercise, Mr Israfil did the capital markets section of the work. It was he who presented the plan to Mr Ozal.

"I found Mr Ozal to be a good listener," says Mr Israfil. "I found his questions reflected a total understanding of the subject matter. At the end of the discussions he said 'Well, how can we use you?' And I said 'I am at your command.'

"So he said 'Okay'—and that was that. Here I am."

In order to gain Turkish citizenship and entitlement to be employed by the government, Mr Israfil served for a short period in the military, sleeping inthe barracks and working in his civilian office during the day time.

He is married to an American wife and they have three children.

Apart from English—in which he is slightly more comfortable than in Turkish—he speaks Russian and Polish. His hobbies include a study of history and antiques.

Like Mr Ozal's other overseas conscripts, Mr Israfil is having a little trouble from career bureaucrats who perhaps resent his parachute-drop to the top.

"They think they know all the Byzantine tricks," he says. "They don't realise that to survive at Morgan for 20 years you have to be a master in those tricks."

**Metin Munir**

Textiles

# Still top of the league for exports

*THE TEXTILES INDUSTRY in* Turkey is in the throes of restructuring, the result of a thorough reassessment of the industry's priorities largely brought about by the introduction of European Community quotas in 1985.

A combination of geographical position, domestic production of raw cotton and relatively cheap labour has, since the 1930's, provided significant comparative advantages in the production of textile goods: in 1986 exports exceeded $2bn, nearly one-third of total goods sold abroad.

The industry's strength has traditionally been found in the small to medium-sized private companies providing middle quality cotton yarn for export, primarily to the European community (which accounts for 70 per cent of exports).

Although the EC quota levels have allowed for some growth in volume, the industry is being forced to move away from spinning into higher value-added products, and to seek out new markets in Asia, Eastern Europe and the Middle East.

To encourage this shift away from bulk, standardised, production, the Government has stopped providing investment incentives for the production of cotton yarn and is now promoting cut and sew and synthetic yarn.

Despite generally depressed investment conditions in Turkey, textile investment boomed throughout the 1970s and early 1980s—imports of capital goods for the sector have even outstripped oil. The quality of investment however, has not always matched the quantity and rash investment policies were one of the reasons that several large firms—Paktas and Guney Sanayii among them—had to be rescued by the Government in the early 1980s.

The investment wave has helped to increase concentration a little but the industry remains highly fragmented with no single company claiming more than about 2 per cent of the domestic market. Many of the smaller companies are expected to resist the change. They were mostly built up by one powerful individual using relatively simple technology and as Mr Ahmet Ulgenerk of International Business Services, points out, many of these entrepeneurs are now too old to learn new tricks.

The larger companies with professional managers will be looking towards joint ventures to help stimulate underdeveloped design and marketing functions. The Japanese and Italians are showing some interest: Nasco, the Italian group, recently brought Okumus a Turkish company teetering on the edge of bankrupcy. Foreign investment in this sector is still however pretty rare.

Ready to wear clothing has been growing fast, and now accounts for nearly half of all export earnings, but the major textile groups have not been shifting into that sub-sector fast enough. Only one quarter of firms making garments employ more than 10 people, according to a report last year by Boston Consulting Group.

Faster growth in garment manufacture is impeded by lack of training and the absence within Turkey of big retail chains able to order large quantaties of garments at the upper end of the market. The Government is providing some help both through its new investment incentives and by taking a direct interest in the development of a domestic design and fashion infrastructure, and through sponsoring courses and fashion shows.

However, many businessmen are seeking more conventional forms of Government help. Mr Ihsan Gudukkurt, a senior manager of Aksu Texti, part of the Akkok group, believes that with volume expansion in Europe likely to be restricted the value of exports must be increased and new markets sought in the Far East. His company is mainly in woollens—a sector in which Turkish firms are generally less competitive than in cotton goods—and although the quotas have hit cotton first the $140m of export earnings won by Aksu in 1986 could be under threat.

"If we are to survive the transition we need to have Government support on interest rates; on energy costs, particularly as ours are the highest in the world after Japan; on marketing information and on export credit guarantees," he says.

Mr Mehmet Cagis, assistant managing director of Akin Texti, argues that sometimes the industry is its own worst enemy. He points to the fact that disagreements within the Turkish Exporters Union over the distribution of individual yarn quotas led to a shortfall on the national quota. Some textile producers are having to buy back Turkish raw cotton from Italians at twice the price it was sold to them, a difficulty which might have been prevented by better co-ordination.

Mr Cagis claims his company—which last year exported $10m of its $28m turnover—has cut its exports to the EC by 30 per cent. It has been switching into polyester cotton yarns where the competition for quotas is far less stiff.

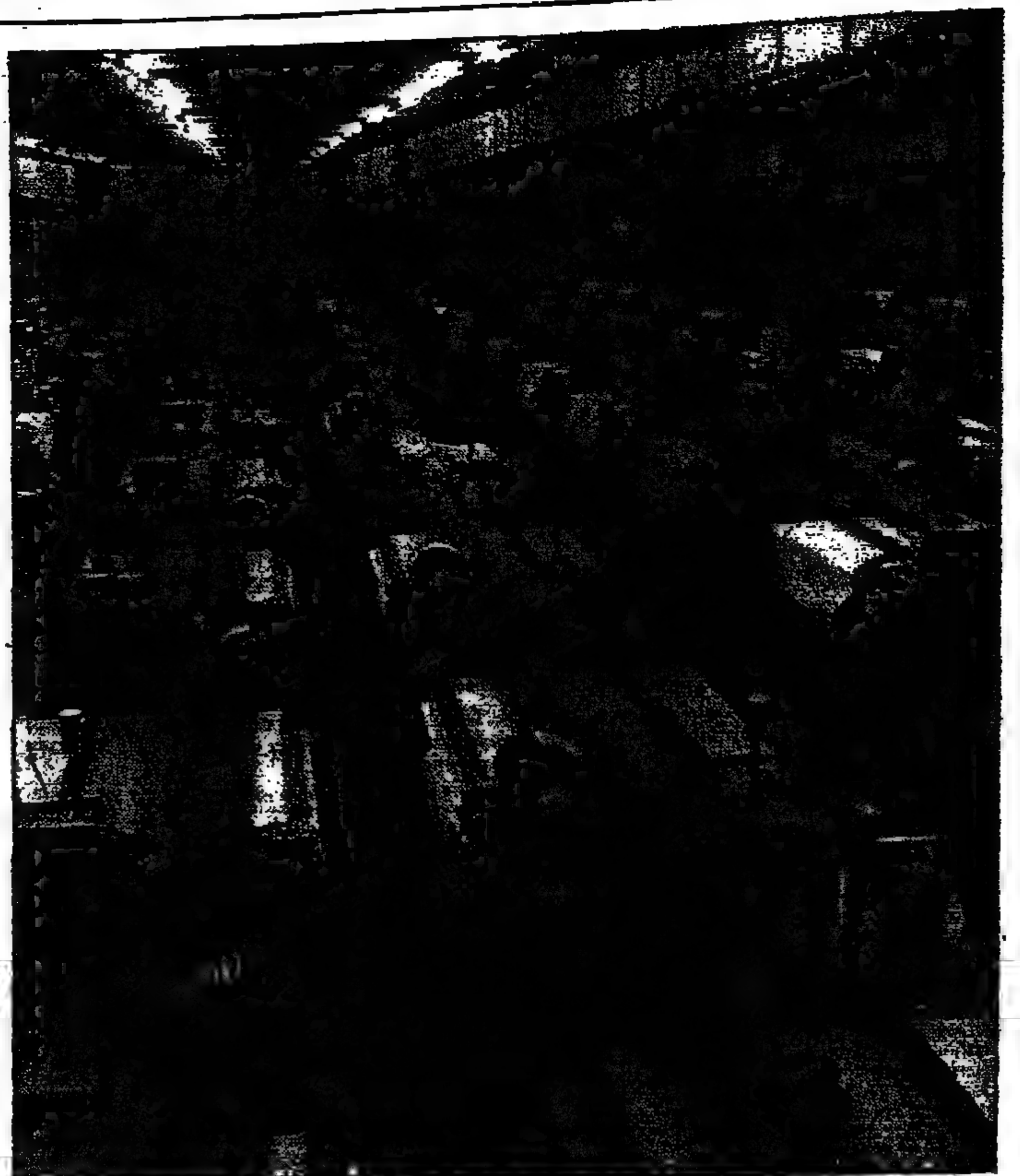
This increased competition induced by the quotas will, many believe, hasten concentration. Mr Cagis himself guesses that 90 per cent of small garment manufacturers will have gone out of business in five years.

The Middle East is a possibility for expansion but many of its main markets are locked into suppliers from the Far East. Turkey is further disadvantaged in those markets too, by their strong bias towards synthetic fibres.

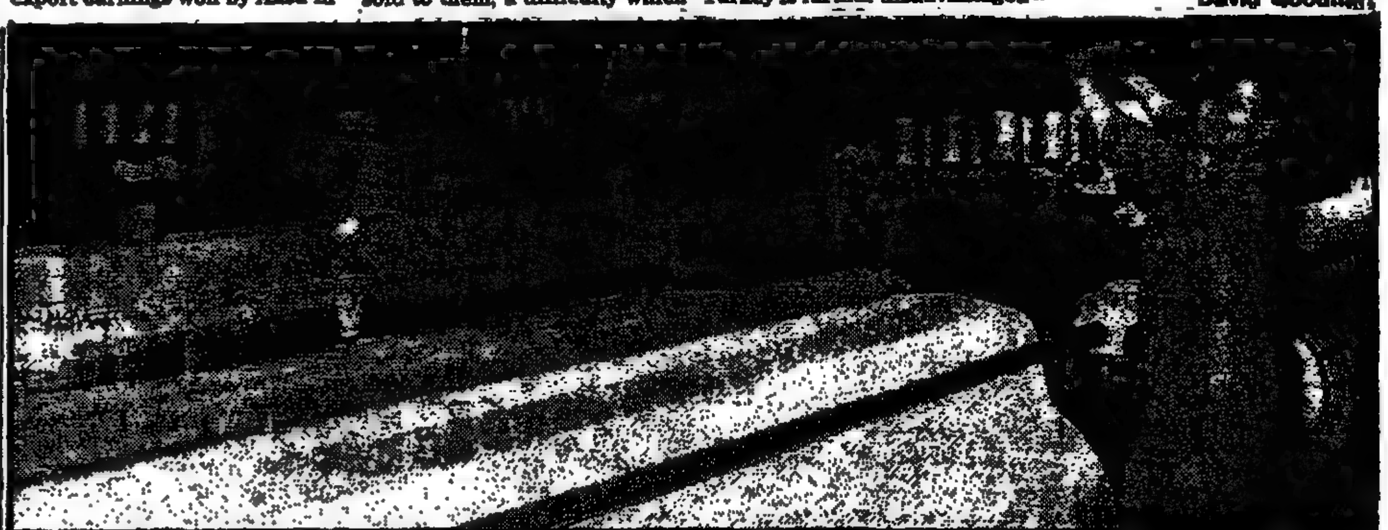
Exports to the US are growing despite a duty imposed by Congress in 1984 but Turkey and the US now look set for annual rows about access to the American market—a re-run of arguments with the EC a few years ago. Nonetheless, market share in both the US and the EC will continue to grow. Eastern Europe is also an area of potential growth.

The Government will continue to play an active role in overseeing the transition now taking place but is, meanwhile, trying to retreat from direct intervention.

**David Goodhart**



Mensucat Santral in Istanbul — one of Turkey's leading textile exporters. The company sells $40m of bedlinen and interlining to Europe and North America each year.



Bozkurt Textiles in Istanbul, a member of the Koc Group. Turkish textiles firms have invested heavily in new equipment over the past decade, giving them some of the most modern textile plants in the world.



Profile: Sumerbank, Turkey's largest textiles producer

# Looking to the market place

"I AM not a typical general director" says Dr Erkan Tapan, general manager of the Sumerbank. "I know nothing about textiles and I never discuss prices with my clients. I have a very easy management style."

His eyes twinkle—"I am a born teaser and critic."

The Sumerbank was in a parlous condition when Dr Tapan took the helm in November 1984. It had made a loss of TL 700m ($3.1m) the previous year on sales of TL 94bn ($419m), though its actual trading situation was probably much worse than these official figures suggest.

*One of Turkey's oldest industrial institutions*, the Sumerbank is far from being just a bank—or even a textiles producer. It also produces cement, steel, shoes, paper, carpets and ceramics.

In its present form, it dates back to the 1930s when it was set up by Kemal Ataturk, the founder of modern Turkey, but some of its factories are much older and were established by the Ottoman Sultans.

In all the Sumerbank consists of 465 retail outlets, 39 production plants and factories, and a banking network of 44 branches.

In 1984 its cash flow problems inside the organisation were so acute that 10 of its textile plants had to shut down temporarily because they were unable to buy cotton.

The mess was largely the result of bad management and a total lack of interest in marketing. The Sumerbank in happier times had been the favourite textile and clothing supplier of Turkey's civil service middle class families.

Mr Tapan's first moves were simply to tackle emergency conditions. He ordered a cut of 50 per cent in production to eliminate "blind flying production." Every machine was checked and grade and yearly maintenance arrangements were created. Bottlenecks and production difficulties were ironed out.

"At least today, there is not one single loom in the Sumerbank which is running for nobody," he says. "But inevitably 1985 was a period of recovery and reorganisation."

Mr Tapan had come from the private sector, having been trained in industrial management at Ankara's Middle East Technical University, and in the Netherlands. He had earlier worked for Unilever and the Cukurova Group, a large private sector textiles group based in southern Turkey.

"I was not one of Mr Ozal's 'princes',"—the name the Turkish press gives to the foreign-educated economic advisors around the prime minister—recalls Mr Tapan. "I had met him only when he was already deputy prime minister and didn't know him well."

On being offered the job, Mr Tapan is believed to have said that, leaving the question of privatisation to one side, it would be an interesting experiment to run the Sumerbank with private sector methods for a few years and see how it shaped up.

Running a state enterprise in Turkey, especially if it is a bank and has 43,000 employees—a larger number than any of the country's private sector industrial groups—is fraught with political problems.

"I began to change the corporate identity of the Sumerbank from the first couple of weeks onwards," recalls Mr Tapan.

"But the tools for the job are politically oriented and private sector management tools are not always appropriate. You can't move capacity around or fire workers in a state enterprise. Every worker seems to have an 'elder brother.'

"In fact about 85 per cent of them seem to have been introduced to the Sumerbank by 'elder brothers.'

"The problem is whether or not you dare to take decisions. But we were backed up by the prime minister and the government. They encouraged us to be firmer."

Reorganisation on the production side was followed by even more intense efforts at marketing and quality control. Mr Tapan created an unofficial management board of 18 assistants and tried to devolve as much work as possible.

"I chose quick decisions rather than getting things right all the time. If you take a wrong decision this week, it can usually be put right next week," he says.

He cut investment plans by 90 per cent, cancelling a planned World Bank loan of $117m.

"The aim was simply to switch to market-oriented production," he says. "There were three simple steps. First create publicity, secondly build up your corporate image, and thirdly raise quality consciousness.

"We left some things to the private sector groups, for instance product assortment, and switched instead from piece goods to product groups, creating a new mechanism." He also tried to decrease the extent to which the Sumerbank depended on institutional customers, for instance the armed forces, to whom it supplies uniforms. In the past three years the share of uniforms in Sumerbank's sales turnover has dropped from 65 per cent to 45 per cent, the aim being to reduce the loss made by delayed Treasury payments on public sector contracts.

Instead, Mr Tapan launched a massive advertising campaign which hardly anyone living in Turkey can have escaped. Sumerbank was given a new logo—a heart-shaped map of the country, with the slogan "I love Turkey . . . and Sumerbank."

He also set up sales caravans to tour small communities and tourist resorts, and he brightened up the exteriors of the 465 retail shops across the country.

"We found out that young people never go to the Sumerbank. So we decided to go to them instead. We opened 11 youth kiosks on campuses. They were sold out," he adds.

He developed new product lines for teenagers and children, basing them for the first time on market research. He also produced the first catalogue the group had had for its products in its entire 53-year *history*.

"Other state economc producers are mostly monopolistic producers of raw materials or inputs," say Mr Tapan. "But we have to live in the marketplace every day. What is more our *customers* are often from the lowest income groups in the Turkish population."

To win orders from badly-paid teachers and civil servants, Mr Tapan created hire purchase arrangements with advance credits of TL 100,000 ($150), enough to buy quite a lot of clothes at the prices Sumerbank offers.

The results of all these efforts have been a rise of 72 per cent in productivity in some of the group's spinning plants, and a profit of TL 22bn ($32.8m) in 1986. The group has received no Treasury subsidies since 1984.

"Many people think I am here just to give the Sumerbank a facelift before it is privatised," says Mr Tapan. "But I don't see it like that.

**David Barchard**

Motor Industry

# A shake-out is inevitable

THE TURKISH motor industry is a fledgling by European standards and well protected from competition by import tariffs which can double, even treble, the cost of imported vehicles.

Sales of Turkish cars (all made under licence from European companies) rose by 37 per cent in the first three months of 1987, to 25,172 from 18,319 in the same period last year.

Agricultural tractor production also picked up after a steep plunge last year caused by a tightening of the regulations governing the credit available to farmers. The rules have now been eased and production is up 30 per cent in the January to March period, from 6,134 in 1986 to 7,983 this year.

In the truck and bus sectors the performance has been far less encouraging. Truck production for the first three months was down 27 per cent, from 4,149 in 1986 to 3,032 this year. But production dropped by 46 per cent from January to March, from 456 to 247.

The problems facing this sector are well illustrated by developments at MAN Motors' factory at Ankara. The factory, completed in 1984 at a cost of DM 100m with plans to produce 8,000 engines, has only managed to run at 40 to 50 per cent capacity on one shift since the production line started.

The company is a diesel engine manufacturing joint venture between the West German engineering company and Ercan Holdings of Istanbul.

Mr Tunc Koman, MAN Motors managing director, places most of the blame on Turkish inflation and the strength of the D-Mark. Some 30 to 40 per cent of components are imported from West Germany, with the rest being made or supplied locally.

The fishing industry's potential as an outlet for its marine engines has never been developed because fishing co-operatives are able to import engines without paying tariffs, taxes or duties.

Sales have also suffered from the effects of the Iran-Iraq war, which has driven away much of the considerable commercial traffic that used to travel between Turkey and the Middle East. Many of the trucks which used to be out of the country for months on end are now based back in Turkey.

Mr Koman also blames the government decision in 1984 to allow the import of secondhand vehicles—3,000 trucks and buses and 5,000 semi-trailers flooded the market and although the Government has since imposed some restrictions on the age of secondhand vehicles and increased the duties, these imports are still affecting MAN's market.

Losses at the factory for 1986 totalled TL 500m, with the accumulated loss taken together with the investment now reaching $3m.

Mr Koman's gloom is not shared, however, by Mr Bedirhan Celik, president of Otomarsan, who is optimistic about the prospects for his new factory at Aksaray, just three hours' drive from the MAN factory.

Otomarsan, a joint venture with Mercedes Benz, has been something of a star performer among Turkey's motor manufacturers, exporting 23 per cent of its bus production abroad to Iraq, Egypt, Syria, Jordan, Saudi Arabia and Tunisia.

Nonetheless, Mr Celik admits that his company is a newcomer in the truck market and that it was a hard decision to make the DM 47m investment in the Aksaray factory. He also sees the effects of the Iran-Iraq war as having been harmful to the domestic truck market, but he is looking ahead to the end of the war too.

"Iran and Iraq have the capacity to rebuild everything and they will need the help of their neighbour, Turkey. There are so many roads and dams to be built there and in this country which will need our trucks."

Production of trucks began the first trial phase in October. In November, Mr Celik took the decision to increase the local content to at least 60 per cent from the original plan for 30 per cent. Local content has now reached 33 per cent and he is confident that the target will be reached by the end of the year, although he admits it will be a hard job.

The plant is being lent help on quality control by the Istanbul bus factory and production is expected to reach 400 by the end of the year, with local content supplied entirely by the Aksaray plant in 1989.

Once the truck line is established, the plant is also expected to produce about 600 Unimog all-terrain vehicles for the Turkish Army, 1,200 G-wagons, Daimler-Benz's light four-wheel drive vehicles, and 7,000 diesel engines a year.

Mr Celik refuses to comment on MAN's experiences, saying only that he puts his faith in quality control and the high standards of Daimler-Benz.

At the Automobile Industry Association, Mr Nejat Emirli, the general secretary, proudly points out that there is now a four month waiting list for Turkish manufactured cars, sufficient for Tofas, the Fiat-Koc company, to increase capacity by 10,000 vehicles this year with a TL 15bn investment.

He is optimistic that there is plenty of room for growth with a population of 50.2m and only one car for every 60.8 people, compared with one for every nine people in Greece and a vehicle for every 14.9 people in Bulgaria.

At an average cost of TL 5.5m, Turkish made cars are successfully fighting off imports which suffer the dual handicap of import duties and Turkish inflation combined with strong European currencies.

At Oyak Renault, Mr Jean Pierre Reynier, director general, sees the domestic market expanding to 20 per cent of the population, while being restricted by the small range of models. Production of the Renault 12 and Renault 9 models is expected to reach a record level of 100,000 this year.

The potential in the market is there, he says, but slow to grow by comparison with other countries—the company has only just reached the production levels of 10 years ago as the economy has recovered from the crisis point of the mid-1970s.

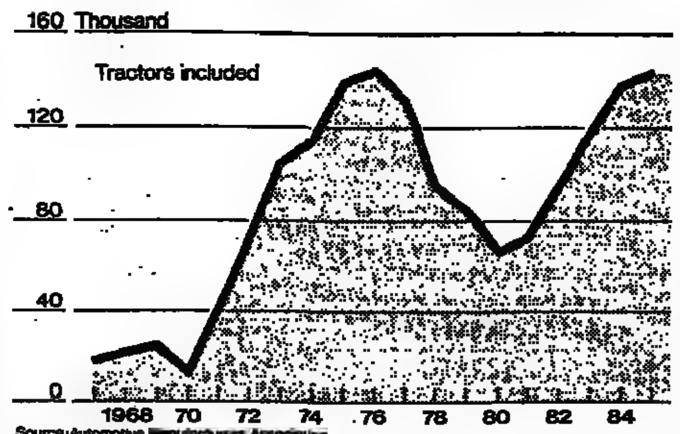
Mr Reynier expects to export more than 3,000 cars this year, with the Renault 12 making inroads in Africa.

At Hema Ford tractor manufacturers, Mr Tewfic Younan, district manager for Turkey, sees the agricultural sector expanding, with across-the-board tractor production reaching 30,000-40,000 this year.

With a total of nine tractor manufacturers in Turkey, this *would surely mean* that some would not survive long.

**Annie Wilson**

Motor industry production




Source: Automotive Manufacturers Association

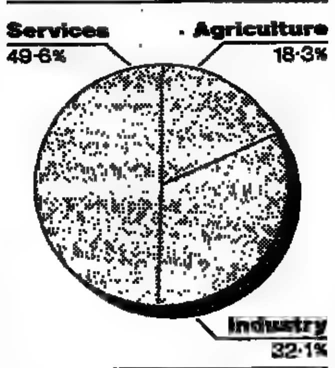
Motor industry

U470Automotive Industry
Production figures:

| | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| Trucks | 12,240 | 16,285 | 15,987 | 14,361 |
| Pick-ups | 4,206 | 7,050 | 7,230 | 10,674 |
| Cars | 30,651 | 42,607 | 54,779 | 60,360 |
| Buses | 1,813 | 3,073 | 3.061 | 1,703 |
| Minibuses | 7.527 | 6,800 | 9,064 | 9.752 |
| Tractors | 34.136 | 40,300 | 45,946 | 36,958 |
| | 1983 | 1984 | 1985 | 1986 |
| Totals of imported cars | 3,219 | 8,849 | 12,806 | 6,975 |

Sources: Automotive Manufacturers' Association and Institute of Statistics.

Composition of GDP




Engineering

# Sector wins top status

THERE ARE unlikely to be any more ambitious sectors of the Turkish economy than engineering, if only because so many ambitious Turks have become engineers.

"The status of engineers and medical doctors is the highest of professional groups in this country," says Mr Omer Kirca, professor of industrial engineering at the Middle Eastern Technical University (Metu) outside Ankara.

He adds that Metu, which has 19,000 students, routinely creams off the top 1 per cent of students taking the annual university entrance exams.

The prize status of engineering has arisen partly from a need for the profession as Turkey has developed and partly because Metu and the engineering-based Istanbul Technical University, which also has about 20,000 students, have won an Oxbridge-like aura for the quality of their education.

There is also a political reason, according to Mr Ahmet Ulgenerk, management consultant with International Business Services, and a Metu chemical engineering graduate.

"Unlike other jobs, such as business administration, engineering offers a well-paid, middle-class career which you won't necessarily lose if the government changes. That's been a consideration in the recent political climate."

Many engineering graduates desert their profession. Mr Kirca estimates, for instance, that up to 95 per cent of the country's top industrial management studied as engineers. Those who stayed in the field, however, are quietly winning Turkish engineering an international reputation.

This is particularly so in civil engineering, which has become Turkey's *forte*. During the 1970s, aggressive Turkish companies like Enka, Tekefen, Gama and Guris began winning sub-contracted work from foreign companies to build dams, bridges, pipelines and housing in the Middle East. Their success was built largely on being able to offer cheap labour, which had the advantage also of being Moslem, and an excellent reputation for meeting completion dates.

By the end of the decade, however, many of these companies were winning contracts in their own right or as full partners with overseas companies. They developed their own engineering subsidiaries and began sub-contracting to smaller Turkish engineering groups.

"Turkish companies can now handle civil engineering projects across the board," says Mr Kivanc Eryavuz, general manager of Guris, "from planning to each piece of detailed engineering."

As a result, when the Middle Eastern money dried up in the early 1980s, Turkish companies were well-placed to compete for the huge infrastructural projects undertaken by Mr Turgut Ozal's Government.

Turkish groups Tekfan and Kutlutas, for instance, recently won the $490m contract to build the Turkish section of the Iraq-Turkey oil pipeline, in a consortium with Saipem of Italy.

Enka, the biggest construction contractor, last year won a $480m contract with Bechtel to build the Ankara-Gerada highway and a $300m deal with Spie Cabag for work of the Turkey-Soviet Union gas pipeline.

The engineering industry is predominantly in the private sector, although the Government indirectly owns Tustas, the biggest iron and steel engineering group, and 49 per cent of Tumas, Turkey's largest engineering consultancy which was set up in 1969 by Mr Turgut Ozal while he headed the State Planning Organisation.

For the bigger contractors, the industry also seems in good health. Gama, which employs 4,500 people, last year made $6m on turnover of around $70m and, says Mr Ergil Ersu, managing director, it has been among Turkey's highest corporate taxpayers for the last three years. Mr Eryavuz of Guris says his company also makes profits of around 8 per cent of turnover of $30m in its mechanical engineering operations.

As well as civil engineering, companies such as Enka, Gama, Guric and Kutlutas have also gained considerable experience in industrial engineering.

Turkish abilities in this area are more limited, however, according to Mr Eryavuz. He says that while most companies can produce detailed or offsite engineering work, such as building tanks, pipes or powerstation units, up to international standards, Turkish groups still must rely on foreign partners to do the system design and engineering.

"For a chemicals plant we could build the tanks and so on—but for the plant's flowchart we would need a foreign company," he says.

As befits Turkey's ambitious engineers, some are moving to fill this deficiency. Gama, for instance, is considering establishing its own systems design department for power plant engineering. The group is currently completing six power units for a 2x165 megawatt power station in the west of Turkey in a venture with Skoda export of Czechoslovakea, but under the Czech company's design.

**With Turkey's plethora of qualified engineers and the country's experience of working with international groups, the industry would be well-placed to meet the rigours of EC membership.**

*However, it is a measure of* the sector's ambition that many engineers are frustrated to find that while their reputation for reliability and quality will win them joint venture contracts with big US and European companies, Turkish partners in such deals will tend to be left only the more basic engineering tasks. Some argue that where the Government has influence over a tendered contract, it should stipulate that a given proportion and technological level of the work be done by local contractors.

"We can only learn more advanced engineering by doing it," says Mr Cetin Mangir, commercial manager of Tumas. "Now when we go overseas our clients ask, 'Who did this kind of engineering in your country?', and we have to say 'such-and-such from the US'."

For most Turkish engineering companies, learning-by-doing is the sole means of gaining expertise. Only the biggest Turkish companies, like Koc and Sabanci, have their own research and development facilities.

The bulk of Turkey's engineering research is thus conducted at Metu and the Istanbul Technical University. But while Metu now runs an applied research centre which offers consultancy services, the links between academy and industry are not strong. There is no sandwich course system for engineering undergraduates, although students are required to spend their six-week summer vacation working in industry.

"On desk work, our engineers are very good," says Mr Ulgenerk of IBS, "but when you see them on the plant looking at the equipment, it is as though they are seeing it for the first time."

A further headache in the industry is finding enough technicians to fill the gap between the highly qualified engineers at the top and the unskilled workers at the bottom.

"People leave university with knowledge of state of the art technology and put this into place when they get into industry," says a foreign technical advisor in Ankara "When the technology works, fine, but there's no-one who knows how to maintain or repair it."

*To solve this, Mr Willson is co-*ordinating a $2m World Bank technical assistance project to bring UK education consultants to Turkey to advise on setting up a series of courses for technicians. The Government has also begun a programme to establish technical colleges across the country.

Overall, however, with its plethora of qualified engineers and several years experience working in international consortia and joint ventures, most analysts believe Turkey's engineering industry would be ready to meet the rigors of an eventual EC membership.

Of course," adds Mr Ulginerk, "you might find all our best engineer just pack up and go to Europe."

**Mark Nicholson**

## Electronics

# Domestic market now doubles each year

THE YOUNG Turkish electronics industry must soon begin to assert itself if it is to play more than a walk-on role in the country's industrial development.

Growth is hampered, however, by high interest rates and economic uncertainty which act as powerful disincentives to new investments and to diversification away from the traditionally dominant consumer electronics and telecommunications sectors.

The Government too, is trying to encourage a greater flow of foreign investment into electronics, while, simultaneously, seeking to promote more domestic product developement and, longer-term, a reduced dependence on production under licence.

The outlook is not all gloom, however. There is still suprisingly buoyant domestic demand for consumer electronic goods, and personal computers sales have grown strongly, producing an increasingly computer literate younger generation; the market in computer goods is likely to be over $100m in 1987 and has recently been doubling every year.

Turkey has, paradoxically also benifitted from its relative backwardness. This has enabled it to leapfrog straight into state-of-the-art technology in some areas of computers and telecommunications.

Concentration, too, should come to the industry's aid. Just as during the white goods boom of the 1950s and 1960s the number of significant producers fell from over 20 to under five, so consumer electronics output is expected to congregate in five or six major companies, according to Mr Farzad Kuchani, general manager of Telra, part of the large Profilo group.

However consumer electronics is running out of steam in its staple domestic markets. Soon after demand for black and white TV sets (made under licence) petered out in the late 1970s, the industry was temporarily saved by the switch to colour. From sales of 80,000 colour sets in 1982 output peaked at 1.12m in 1985 and fell to 921,000 in 1986.

The total number of colour sets sold is already about 4m which in a country with only 8.5m electrified households gives limited room for growth. (There are about 200,000 new marriages a year, most of which are blessed with a colour TV, and there is a replacement market of about 300,000 giving steady sales of only 500,000 per annum. Video production which hit 230,000 in 1986 is also probably in decline.

This shrinkage of the local market is pushing companies such as Telra to seek export markets, but without the economies of scale privided by a large internal market exports are hampered. (Telra produces only about 150,000 sets a year)

Telra is also diversifying as fast as possible into telecommunications and defence electronics but the cost of funds is inhibiting, especially in such a capital-intensive industry.

Telecommunications, like computers, is a sector in which the Government is taking a particular interest. It is trying to shake it up both to provide the communications infrastructure vital to attract foreign business and to develop a solid manufacturing base. The public telephone company, the PTT, is in the middle of a heavy investment programme which has provided plenty of work for the various Government joint-ventures—especially Netas the joint venture with Northern Telecom of Canada.

Northern Telecom illustrates the Government's difficulty. Its turnover in Turkey has risen from US $750,000 20 years ago to about $120m now, but although its Turkish operations are reasonably profitable, its presence seems no more permanent now than in 1968. The Government is trying to sell off its stakes in the telecommunications joint ventures because it believes that foreign producers will not invest if they fear that contracts will go to the Government's own 50 per cent owned manufacturers. For that very reason, companies like Northern Telecom fear they will lose out.

It is perhaps surprising that Turkey has attracted so little direct investment in electronics, considering the way in which the main Western European markets have become saturated and Turkey's prime position for selling into Eastern Europe and the Middle East and, above all, its low labour costs.

"I am surprised that we are not becoming more like Taiwan or Singapore, particularly as our labour costs are now said to be about 50 per cent of Singapore's," says Mr Engin Kalafatoglu, of the Kalafatoglu Group.

Protectionism is not the problem. According to Mr Kalafatoglus duties on most parts are now negligible and they are very low even on whole products as the import figures seem to bear out. The Government has also had few qualms about encouraging production under licence.

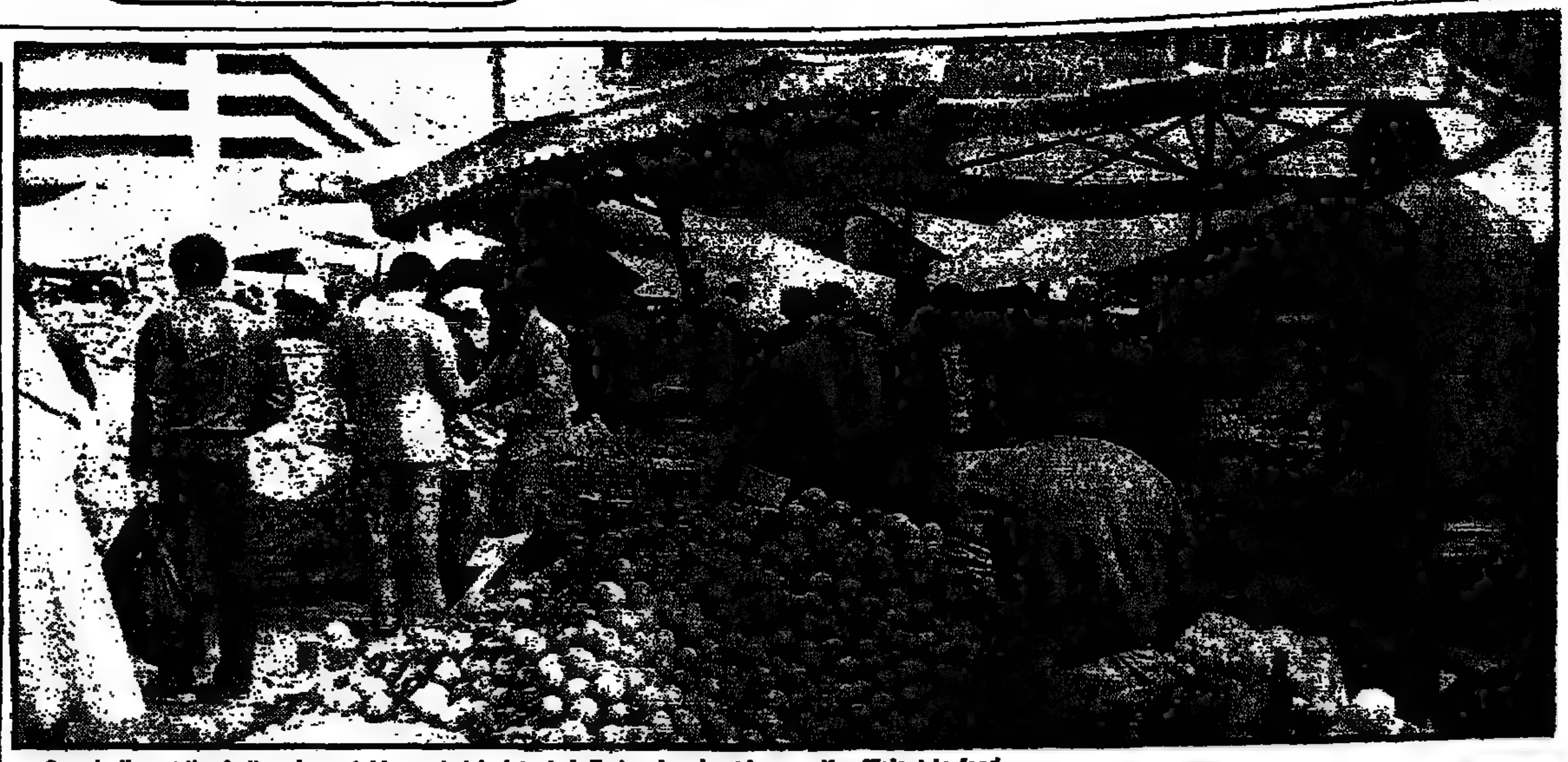
Nor are skill shortages a problem. Production under licence has brought technology and skill transfer and Turkey has a respectable supply of electronic engineers; it is true many of them work abroad for a few years it they can because Turkish pay is so poor but they almost always come back. Mr Farzad Kuchani also praises the skill and flexibility of Turkish manual workers. "The Turkish labour force is very flexible by the standards of industrial countries. I have teams of workers who may perform three completely different assembly jobs during the same shift."

There are a few areas of shortage such as computer hardware. Mr Teoman Guner at the State Employment Agency points out that his department had just acquired a computer to keep a better track of Turkey's sketchy manpower figures but had to admit he had been unable to find suitably qualified staff to operate it.

In software Turkey is relatively advanced and attempts are currently being made to establish science parks around the major universities. "The industry is very young and still dominated by licence production, but soon we will be designing our own products. We have the know-how, it's just a matter of cost-effectiveness" says Mr Kuchani.

The worry is that Turkey's macro-economic difficulties will prevent sufficient investment in the increasingly expensive state-of-the-art capital goods which in turn will undermine the industry's technical expertise and prevent the break-out from licence production. And it seems that the country's relative economic and political volatility continues to keep out foreign investors.

**David Goodhart**



Crowds throng the fruit and vegetable market in Istanbul. Turkey has long been self-sufficient in food.

## Food and agriculture

# More foreign investment sought

AGRI-BUSINESS has been made a priority sector for winning more foreign investment by the Government, recognition of the significant potential that exists.

The country has long been self-sufficient in agriculture with exports of agricultural commodities—fruit, tobacco, cotton, lentils, tea and hazelnuts (of which Turkey produces 75 per cent of the world supply)—still accounting for a quarter of Turkey's total exports.

Yet for many of the 9.3m people who, according to the State Employment Agency, still work on the land, 1986 was not a good year. The cotton crop was poor, forcing the Turks to buy back from textile manufacturers Italian Turkish cotton previously sold to them at half the price.

The Chernobyl disaster also affected some crops in the north of the country and subseqent international anxieties affected export sales.

There has been some development of food and drink processing—tomato paste and margarine businesses are long established—but Turkey acknowledges the need for technical help in this field which can involve surprisingly complex chemical processes. It has been encouraging joint ventures for technology transfer for many years although some, like Unilever's venture into tea-bags, have been failures.

The difficulty with developing a processed food industry in Turkey—despite raw materials in plenty—is that the people of the country have, as yet, no taste for it. As Mr Franz Schneider of the US-owned group puts it: "The Turkish consumer is used to having everything fresh and there is a strong belief that fresh is better. Also a lot more time is available to prepare food in the home than is the case in most Western European countries. So you have to create the habits and the markets and that takes time and money."

Despite the problems there is, he believes, a slow trend towards processed foods as Turkey becomes more urbanised and industrialised. Knorr has been in Turkey since 1981 and has doubled its sales from 30m soup packets to 60m packets a year.

"We are one of the few companies that successfully manufacture a recipe product. We were lucky the Turkish consumer is used to soup and we fell into the market niche," says Mr Schneider.

Knorr is investing $2.5m in a new plant in Istanbul but there has been very little other new foreign investment in recent years. Mr Schneider believes that it may come if the domestic market picks up and also if companies start to see Turkey as a good launching pad for the Soviet and eastern European markets. (The Middle East is less of a pull, since the oil money ran out, particularly as many of the big food brands have had a long established presence there.)

All observers are agreed that if Turkey is to develop its agriculture and agri-business, it will have to markedly improve the infrastructure of storage and transport and improve quality and marketing.

The UK company, Polly Peck, has been building packing houses and injecting some packaging and marketing know-how. Mr Mark Ellis of Polly Peck believes that Turkey's massive surpluses of agricultural produce makes it "a sleeping giant."

He estimates that of the current citrus production of about 1.5m tonnes nearly 50 per cent is wasted. Polly Peck is therefore trying to introduce modern cultivation techniques which together with fertilisers and pesticides should greatly improve crop yields and quality.

In the meat sector there are signs of movement, too. Until the early 1980s there were severe legal restraints on the construction of private sector meat works in Turkey, and from the 1950s to the early 1980s the meat industry stagnated, thanks to the almost total monopoly of the state owned meat company, EBK.

There is also potential in milk. About 6m tonnes are produced each year, most of which is used for the production of butter, cheese and yoghurt. However, there is a small and growing market for processed milk.

Again, it is necessary to establish new tastes. Some of the companies also hope that the Government might help. It could, for example, provide free school milk or, perhaps, clamp down on the illegal street vendors.

Milk distribution is also inadequate, and the lack of proper supermarket chains does not help. But processed milk consumption is growing at 20 per cent a year and looks set for further expansion.

**David Goodhart**

## Advertising and marketing

# Catching up with outside world

"TURKEY'S ADVERTISING sector is still very modest by international standards," says Mr Eli Aciman, the President of Man Ajans, the local partner of J. Walter Thompson, and the grand old man of Turkish advertising.

"Turkish billings are around TL 100bn ($128m) a year, a modest figure. But the sector is much more developed than the Turkish economy as a whole," he says.

Modern advertising and marketing in Turkey are products of the economic revolution of the 1980s. The country is still in many ways a sellers' market and for most sophisticated goods and services the market is usually a lot smaller than the 52m population of the national census statistics.

Mr Attila Solakoglu, head of Atilim, the marketing company of the Koc Group, explains: "In the old days before 1980 there was no problem. You just made goods and sold them. It has really only been since 1980 that Turkish industry has had to think about what it should do with goods it makes but cannot sell."

Despite that, the Turkish market is a growing one. Economic growth and population expansion mean that over the past decade, markets also expanded steadily.

Consider, for instance, the figures for three leading consumer durables over the past five years. Sales of refrigerators have risen from 432,000 in 1983 to an anticipated 750,000 this year.

Sales of washing machines are up from 210,000 to 450,000 in the same period, and sales of cookers up from 195,000 to 350,000.

This growth of demand, which is not entirely welcome news to the economic planners in Ankara, is tied up with changes which may bring fundamental differences to the Turkish market. Almost all Turkish villages have been connected to the electricity supply since 1983, making it possible for farming households to buy refrigerators, televisions, washing machines and hoovers for the first time.

Very few villages are now without a television. Once a family receives television, it can view the advertisements on it each night which until a year or two back were better viewing than the stodgy programmes provided in Ankara.

Not surprisingly, therefore, advertising in Turkey revolves disproportionately around the TV set.

Television advertising last year accounted for 60 per cent of the spending in the sector compared to 40 per cent two years earlier. The share of press and radio advertising is constantly shrinking, and creating problems for the newspaper world, while television looks set to grow and grow.

Bookings are filled months ahead and even the provision of a second television channel in 1986 seems to have made little difference to the congestion. Mr Aciman complains that some nights viewers have to watch a 10 minute long succession of commercials.

Not that press campaigns are always unrewarding. Mr Aciman cites the example of his own campaign to introduce Nesquick to the market.

No TV was available, but a three-week campaign in three papers achieved the full results desired.

Pricing is part of the problem: "Half a page now costs TL 5.5m ($7,000) in Hurriyet," says Mr Bulent Guray, founder of Ekol Ajans, "while a 30-second spot on price TV time costs TL 4m ($5,100)."

Most campaigns are aimed at urbanised Turks with a modern life-style. Aya Ajans, another Istanbul agency, had a unique campaign, two years ago, to popularise Lombardini motor pumps, using a catchy but definitely oriental musical jingle. The jingle helped make Lombardini the market leader, but other agencies have by and large not followed suit.

"The style of advertisements in Turkey is to pitch things one echelon higher than the target groups actually live in," says Mazhar Buyum of Merkez Ajans which introduced TV sets and videos made by Vestel, a joint venture between Polly Peck International and Thorn EMI, to the Turkish market.

Growing sophistication has lead about half a dozen of the leading companies to seek international links. During the 1970s, McCann Ericksson forged an alliance with Pars of Istanbul. Two years ago, Man Ajans sold 25 per cent of its stock to J. Walter Thompson and since then most of the other big international names have followed suit, including Saatchi and Saatchi.

As trade and investment links with the international economy grow, the advertising sector has to expand, too, bringing such novelties as cornflakes and insurance to the attention of the public. Even so, Mr Aciman reckons that the "market reachable maximum" is as yet only around 4m families.

Technical sophistication has also improved. There is very much less need to rely on studios in London for optical tricks than a year or two back.

Rather the advertising industry feels the need for some kind of institutional consolidation. In 1985 it set up a 23-member association which it is hoped will become a fully fledged chapter of the European Advertising Agencies Association (EAAA) in due course. However, the industry still has to fight battles against local bureaucrats and mayors who do not believe in billboard advertising. After some threats of bureaucratic regulation from Ankara, the industry is also trying to ensure a degree of ethi-

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Banking

# Uneven and changing market

SPRING TIME in Turkey is the season when banks announce their profits, and if published figures are anything to go by it should be a season of rejoicing. Everyone, it seems at first sight, makes a profit—even the Turkiye Ogretmenler Bankasi Tobank was able to announce a TL 56bn ($74.6m) profit at its annual general meeting, the very day three state banks, acting on Treasury instructions, bought a controlling interest in it for just TL 4m ($5,333).

Some of the profits are for real. For efficient operators, with low overheads and no burden of bad debts, there can be fewer easier places to make a lot of money than Turkey. Foreign banks have flocked to the country since 1980 when there were only four there.

Banks such as Citibank, American Express (now minority partner in a venture known as Koc American), and Manufacturers Hanover Trust have made a lot of money, mostly on trade finance operations, and seem set to continue doing so. Standard Chartered the first UK bank to open a branch in Turkey made around a million pounds in its first year of operations.

Another joint venture, between BNP of France and the Akbank, made TL 2.6bn ($3.8m) in its first year. The Akbank itself made a record TL 74bn ($110m) in profits.

Other small Turkish banks which have learned to operate along international lines also made good money. The Iktisat Bankasi made TL 5.7bn ($8.5m) in profits and the Turkiye Ekonomi Bankasi ($2.9m).

The figures above have credibility, because—with the exception of the Akbank—all these banks are independently audited. But the real fortunes of some of Turkey's older and larger banks remains a matter for conjecture.

The Tobank accounts help show why. Its TL 56bn profit was largely made possible by a TL 63bn ($94m) entry on its balance sheet, labelled "Extraordinary revenues". These appear to have been a year-end loan to a company which it owned.

This happened, it must be said, at a time when the bank was already being administered by a Treasury nominee. There have been some half hearted calls in the Turkish press for proceedings against the former owner of the bank—a professor of banking who had acquired over the years a majority stake in what was originally a state savings bank for teachers. But there is no sign of a public inquiry.

"You have to understand that this is still the Wild West in terms of law enforcement" says one foreign banker in Istanbul. "People go to gaol for political offences or armed robbery, but not so often for crimes like fraud or insider dealing."

Though it is now nearly eight years since—to the horror of the major banks—Turkey made the transition to realistic interest rate policies, many banks especially in the State sector have changed little since then. Next year all Turkish banks will, in theory, be obliged to publish independently audited balances. But there are considerable doubts as to whether this will prove feasible in some cases.

The retail market is saturated and hampered by the absence of effective clearing services. A TL Interbank has only been in existence for the past 14 months, and the average volume of transactions around the start of the year was TL 130bn ($194m).

Money is most easily made in trade financing and latterly specialist services, including bond issues. The degree of sophistication, a few well-known names excepted, is often low. Some banks try to make money simply by purchasing and holding on to Treasury bonds.

This is partly because of the Government's interest rate policies. There is no deposit rate competition and one year term money earns 43 per cent, while borrowers pay a net 80 per cent.

At rates like this it is difficult to find safe customers. Non-performing loans bedevil most of the commercial banks, and even more the state banks who may not have much control over their lending policy.

The general manager of one of Turkey's largest private banks was recently heard announcing that he had found a solution to the shortage of good risks for lending and was lending his money to state corporations, such as the petrochemicals corporation Petkim. But many Turkish public sector corporations have poor records as payers and not every one shares his confidence that he will see all his money again.

Industrialists (who know they miss it) and retail customers (who usually do not) are both hampered by the lack of an up-to-date banking system.

"We still have an insufficiently developed banking system and we feel the pinch more and more," says Mr Yildirim Akturk, chairman of the Uluslarasi Endustri ve Ticaret Bankasi in Istanbul, one of the first small Turkish banks to modernise itself—and now issuing such novelties as commercial papers and specialised personal banking services.

Private banks, being more subject to market pressures, have undoubtedly pulled ahead in the last few years, though many still have too little capital and too much of it tied up in equity participations in industry, leaving them with insufficient equity.

Good management, however, does produce results. Apart from small banks such as Ekonomi Bankasi, Iktisat, and Uluslarasi, there has been a major turn around in the last two years at the Yapi ve Kredi, which made a profit of TL 31.3bn last year thanks to its general manager Husnu Ozyegin.

No such recovery, indeed few signs of change are to be discerned in the state sector which still occupies about 60 per cent to 70 per cent of all banking transactions in Turkey.

Commercial strategies in the state banks seems to consist of little more than the buttoning-up of jackets out of deference to superiors and the use of an obsequious long-winded 19th century form of bureaucratic Turkish.

Managers and general managers seem to have little clue of what is going, and as their jobs are ultimately political, they are always shielded from the consequences of a mistake. In 1985, for instance, one of Turkey's state banks discovered that one of its branches had issued around $70m in unauthorised foreign exchange guarantees.

A flustered bureaucracy at first argued that it had no obligation to pay up—merely to launch legal proceedings against the clerks, arguing that its liability ended there. Later the Treasury came to the rescue—and there the matter apparently stopped, with no public investigation into the management practices which had permitted this situation to arise.

Bad salaries—state sector bank employees count as civil servants and are paid accordingly—have a lot to do with the mess that the major state banks are in.

Other problems, familiar in other state bank systems across he Mediterranean, arise from the intertwining of politics and finance. The state banks have repeatedly been used to bail out ailing banks and industries.

There are also signs of MPs forcing banks to issue loans to their associates. To date there has been only one attempt to clean up a state bank in Turkey.

Last summer Mr Ozal appointed 31-year-old Bulent Semiler as head of the Anadolu Bankasi. Mr Semiler, a US university graduate with international banking experience, reported that it took him nearly a month to make sense of its accounts.

He has since had to endure a barrage of protests, slanders, and even death threats—and uncovered strong evidence of collusion between some of the bank's staff and firms borrowing from it.

No doubt other state banks could—and may be some day will—tell a similar story. But for the moment, many of the resources of the financial sector in Turkey lie locked up unproductively within them.

**David Barchard**

### Composition of bank deposits

● Figures in Tlbn

| Months | Commerce | Savings | Other | Total |
|---|---|---|---|---|
| End of previous year | 1,899.4 | 5,214.8 | 884.7 | 7,998.9 |
| January | 975.5 | 5,299.3 | 1,295.1 | 7,569.9 |
| February | 993.1 | 5,498.5 | 1,304.5 | 7,796.1 |
| March | 1,121.4 | 5,680.5 | 1,433.8 | 8,235.7 |
| April | 1,187.2 | 5,791.1 | 1,466.6 | 8,444.9 |
| May | 1,139.8 | 5,926.0 | 1,540.7 | 8,606.5 |
| June | 1,313.3 | 6,023.2 | 1,655.3 | 8,991.8 |
| July | 1,234.6 | 6,109.2 | 1,765.1 | 9,108.9 |
| August | 1,251.3 | 6,198.7 | 1,715.0 | 9,165.0 |
| September | 1,363.7 | 6,324.2 | 1,739.5 | 9,427.4 |
| October | 1,328.7 | 6,471.6 | 1,933.1 | 9,733.4 |
| November | 1,505.8 | 6,636.1 | 1,758.3 | 9,900.2 |
| December | 1,867.1 | 6,786.4 | 1,736.7 | 10,390.2 |
| *1987 | | | | |
| January | 1,867.1 | 6,786.4 | 1,736.7 | 10,390.2 |
| February | 1,604.1 | 6,981.4 | 1,939.9 | 10,525.4 |
| March | 1,659.1 | 7,054.5 | 1,924.8 | 10,638.4 |

* Provisional figures

Source: State Planning Organisation

Profile: Garanti Bankasi

# Shake-up brings big benefits

JUST OVER 90 per cent of the staff at Garanti Bankasi, Turkey's fifth biggest private bank, began their careers with the company and each of its 288 branch managers have been appointed from within.

This fact, says Mr Ibrahim Betil, who joined the bank from Pamukbank as a general manager seven months ago, endows Garanti with a "strong corporate culture." If so, the 42-year-old Mr Betil is busy giving the bank a corporate culture shock.

Since his arrival, Mr Betil has created a new treasury department, expanded the bank's securities section and more than tripled its staff, overhauled the bank's salary structure, recruited several new department heads, changed Garanti's advertising agency and, perhaps most shocking of all for some, has begun telephoning each branch manager early in the morning, once a week, for a chat.

"Most of them are surprised and unused to such calls," he says. "Sometimes they have trouble explaining their problems and call back an hour later saying 'sorry, I was a bit excited and couldn't answer your question'."

There were questions to be asked prior to Mr Betil's appointment, notably concerning the bank's chequered profitability. Garanti entered the decade in the red and made a TL 2.6bn loss ($11.5m at the prevailing rate) in 1982, due largely to a series of non-performing loans in its portfolio.

The loss prompted a change of senior management and the bank moved to limit asset growth to 16 per cent, bolster paid-up capital by 263 per cent to TL 7.25bn and to close 17 inefficient branches.

In 1984, however, Garanti still lost TL 2.2bn and its twin owners; Koc group and Sabanci group, Turkey's two biggest industrial companies, sold the bank to Dogus, a construction company.

A further management change followed as did a modest TL 567m profit in 1985, although poor returns on its assets still left a net deficit of TL 7.5m on its net interest margin.

Mr Betil ascribes the bank's poor performance then to caution during disruptive changes of management and ownership added to the harsh climate for Turkish bankers during the early years of 1980s economic liberalisation.

"The bank has been very careful to be—perhaps, too—conservative, which maybe was the right decision, but it cost some profits," he says.

But conservatism clearly receives, at best polite, respect from the entrepreneurial Mr Betil. An economics graduate from the select Robert College in Istanbul, he worked for three years at the state's Industrial Development Bank before leaving to found a small business making textile manufacturing goods, automobile parts and white goods. By the end of the 1970s his factory employed 100 but, he says, its expansion foundered on then restrictive import and export regulations and the fearsome cost of borrowing.

He left business in 1981 to join Yapi Credi bank, Turkey's second biggest private bank, as assistant general manager where he stayed until, as he puts it, a 'conflict' with the board made it propitious to accept an offer to manage Garanti.

Mr Betil believes he has joined the bank while it is back on sound feet. Last year it posted a TL 19.6bn profit and, for the first time this decade, a net return on assets over interest paid on liabilities. This recovery the bank puts down to more selective lending policies and a distinctive move to tailor customers' borrowing rates according to what Mr Betil calls their profitability ratio.

According to this approach, Garanti will set a customer's borrowing rate—which in inflationary Turkey can range from 60 to 80 per cent—at a greater discount the more of the banks' services he uses.

A borrower whose export credits and foreign currency account are also handled by Garanti, for instance, would receive a preferential rate since these other services add to the bank's overall revenues.

"If you buy a lot of things in a department store, one shirt might cost $15, but if you also buy shoes, socks and trousers, the shop-owner could offer you discount on the shirt," Mr Betil explains. "We see the customer as a 'package.'"

Garanti's share of Turkey's roughly TL 11,000bn deposit market has been a steady 3 per cent for the past four years. However, with the bank's equity at TL 54bn and a balance sheet total of TL 547bn, Mr Betil believes Garanti's gearing ratio could be pushed from its present 1-10 to 1-16 or even higher.

Over the last year the bank's share of the Turkish lending market rose from 1.8 per cent to 2.1 per cent and its new general manager has established a marketing department to boost lending further.

Another facet of Garanti's conservatism Mr Betil seems set on shaking up is its approach to international business. He says he was appalled to find when he arrived that only 40 of the bank's 4,000 staff could speak English. New recruits are now required to speak two languages and there are today 150 English-speakers on staff.

In the past three months the bank's international department has been restructured and over the same period the volume of foreign transactions has risen by 40 per cent in dollar terms, compared with a 25 per cent rise throughout 1986.

The rise, says Mr Betil, has come somewhat from greater import and export financing, but mostly from boosting by 80 per cent the volume of foreign worker remittances handled by the bank's West German offices following a marketing drive.

Other of Mr Betil's sweeps of the broom seem to have wrought similarly spectacular results. A treasury department which, he says, comprised three staff rubber-stamping forms has been revamped on recommendations sought from a consultancy team from Chase Investments in London to become a dealing room, handling the bank's foreign exchange positions. The department made TL 100m in the past four months alone, Mr Betil says.

The staff of the capital markets department has been increased from four to 15 and it traded TL 35bn worth of securities in the first quarter of this year. The total for 1986 dealings was TL 6bn.

Mr Betil is coy about the cost of so restructuring the bank. He will say that a decision to replace the computer hardware the bank had actually begun installing, to put main branches on-line, with a bigger system has cost between $2m and $3m.

Clearly, however, Garanti's new advertising agency sees Mr Betil's arrival as a stroke of luck. They changed the bank's logo to a four-leaf clover.

**Mark Nicholson**

Profile: Zekeriya Yildrim of the Central Bank

# Firmness behind the smile

"ZEKERIYA IS one of those rare people in whom others can always find something similar to themselves," says a Turkish banker. "Foreign bankers trust him because they see him as an international banker who knows the ways of the world. High officials think of him as a fellow bureaucrat who can be relied on to stick to the rules.

"Among Turkish bankers, he somehow belongs to both generations at once—the old and the young. That is the secret of his appeal."

Since the translation of Mr Yavuz Canevi last November to head the Treasury. The Central Bank has been run by Mr Zekeriya Yildirim, the man who for the past few years has handled its foreign exchange and international debt operations.

The son of a farmer who died during his childhood, Mr Yildrim was educated at Istanbul's famous Darussafaka Lycee, and then read economics at Istanbul University before going into the Ministry of Finance.

After some years there, he was sent to do postgraduate work on international economics in the US, and soon after his return joined the Central Bank.

"My first contacts with the international banking community came during the debt crisis of the late 1970s," he recalls.

Turkey was temporarily unable to honour most of its payments commitments and Mr Yildirim was one of the officials who had to break the bad news to often incredulous foreign banks and companies. It was not an enviable job—but much of Mr Yildirim's reputation abroad and many of his friendships in the international banking world go back to this period.

When Yavuz Canevi was appointed governor of the Central Bank in January 1984, Mr Yildirim became his staunch lieutenant. Mr Canevi's interests lay more with the reform of the banking sector and macroeconomic issues, while Mr Yildirim concentrated on the foreign exchange régime and balance of payments.

His popularity did not always extend to some of the newer markets. About his reputation as a disciplinarian, Mr Yildirim says only: "I do not care—my basic concern is that the rules of the game have to be established."

He defends his handling of a foreign currency scramble between December 1985 and March last year which ended with the virtual suspension of the freedom of banks to fix their own rates of foreign exchange, saying that his aim was to avoid unnecessary competition at a time of crisis.

Turkey's Central Bank is by general agreement one of the country's most sophisticated and effective institutions. Mr Yildirim is proud of advances it has made in recent years.

These range from developing manpower skills needed to oversee a modern banking sector (some 12,000 employees were trained in computerisation in 1986) to creating and actively running a new interbank market, a new system of auctioning Treasury Bonds, Open Market operations, and a Government Securities Market, the work of another deputy governor, Mr Rustu Saracoglu.

These innovations, and a Banking school set up last year in Istanbul should ensure that by the 1990s much of the Turkish banking sector is very different fom what it is today.

On many issues, however, Mr Yildirim is cautious. On deposit rate competition, for instance, his view seems to be that it is still out of the question for the time being.

He believes that the arrival of new players and new financial instruments will in itself bring changes.

"There may be some loosening of the links between the banks and industry as a result," he says.

**David Barchard**

# New influences in advertising

Continued from page 8

cal self-regulation, though these do not seem to be any lower than in any Western European country.

Marketing on the other hand is still in its infancy. For many consumer goods, the market consists overwhelmingly of the developed West of the country and peters out in the poor eastern and southern regions.

There are few retail chains in the Western sense but many of the major groups have their own networks of retail outlets which are tied to an exclusive agreement.

The impact of agriculture is still strong with peaks in the market in the May-June period and again in August to October.

Though cost and quality consciousness are rising, they are still very limited by Western standards. Credit terms are also changing. Soap powder companies gave wholesalers 90 days credit terms before 1980. Not any more. Terms are now usually three weeks to wholesalers and four weeks to retailers with margins of 8 or 9 per cent for wholesalers.

The acknowledged leader in marketing in Turkey is Unilever's local marketing subsidiary, G & W Baker, which works with 2,500 wholesalers across the country selling internationally-known products such as Omo and Lux.

However, the most lucrative part of the market is probably in consumer durables. Here some of the major newspapers come back into their own for they have set up marketing companies which sell TV sets, videos, or personal computers to the public on an instalment basis.

There is no system of customer credit, however. Where this exists it is supplied by the retailer who may be willing to allow a purchaser to pay in several instalments against the issuing of a promisory note.

Newspaper marketing companies and firms such at Atilim have a different strategy. The customer makes a commitment to buy a product several months later and pays in instalments until it is finally delivered.

### Advertising media

● Market shares for each medium in Turkey

| Medium | 1986 % | 1986 TL bn | 1985 TL bn |
|---|---|---|---|
| TV | 58.6 | 70.7 | 52.5 |
| Press | 33.2 | 40.0 | 37.9 |
| Radio | 2.5 | 3.0 | 3.05 |
| Other | 5.7 | 8.6 | 6.9 |

**David Barchard**



# Scheme to train young bankers

TURKEY'S BANKING system needs more highly trained bankers. To supply them, Citibank and the Turkish Union of Banks have set up a banking school on the shores of the Sea of Marmara, an hour's drive from the heart of Istanbul.

"Our major mission is to make the school competitive on an international scale" says the school's general manager, Mr Ken Pasternak. The courses, lasting in most cases about 12 weeks, are designed to teach skills which bankers would not learn on intern-type courses with correspondent banks abroad or during in-house training on the Turkish banking system.

So far, 34 out of Turkey's 56 banks are sending students, usually aged in their late twenties or early thirties. Instruction is in English and applicants from other countries are welcome. Citibank, which is organising the school on a non-fee pro bono basis, says that the establishment of the Istanbul school has nothing to do however, with the closing last year of its Athens banking school.

The school has been fitted out in a former hotel with residential facilities and can handle up to 350 students a year on three concurrent proramnes. There are four instructors supplied by Citibank. Occasional visitors fly in from abroad to give lectures and professors at the local Bosporus University also participate.

"Culturally, this is a different type of learning environment from what our students are used to," says Mr Pasternak.

There is particular emphasis on the use of microcomputers, with 29 separate workstations in 5 classrooms. So far, many of those attending have been surprisingly unfamiliar with computer banking techniques, a situation the school is intended to remedy.

Leading Turkish bankers such as Burhan Karagoz of the Turkiye Is Bankasi and Kemal Akkaya of the Ziraat Bankasi joined forces with the then Central Bank Governor Ziraat Canevi to get the school started. Not all of the banks, however, are yet convinced of the merits of the project.

"Supply is still leading demand," admits Mr Pasternak, though he expects that senior managers will want to train more of their promising junior staff once the benefits of doing so become obvious.

Thse banks which are participating are already sending students from leading provicial branches in Izmir, Mersin, and Ankara. About a third of the students are women.

Costs of attending, though high by Turkish standards, are low by international levels. A 12-week intensive residential course costs TL 8m ($10,000).

"I reckon that our all-inclusive price is about half of any equivalent programme outside Turkey," claims Mr Pasternak.

Officially, the school has not yet opened. That will take place on July 4 (the date is a coincidence), with a party on the shores of the Marmara, looking across at the Islands of the Princes.

**David Barchard**

Money Markets

# New players are emerging

WHERE DO Turkish savers put their savings? The answer, all too often, is into gold or—if they are very rich—into Swiss bank accounts.

And where can Turkish industrialists turn for funds? Bank loans still cost about 80 per cent net. Furthermore, the stock market, re-formed in December 1985, is a recent arrival on the scene and the overwhelming majority of companies are still tightly controlled by the individuals and families who founded them.

As a result, when savers put their money into industry, they tend to prefer bonds.

"It is a straight-forward borrower-lender relationship which both sides understand," explains Professor Ismail Turk, head of the Capital Markets Board.

Turkish companies and savers first took to bonds in a big way in the early 1980s. Dealing was carried out by unlicensed houses in an unregulated market, amidst three digit inflation. A major crash followed which destroyed market confidence for several years and, as a result, the Capital Markets Board was set up.

Since then, the Government has been creating the framework within which stable secondary markets can be expected to mature.

Turkey's first-ever issue of commercial papers took place last March. It was handled by the Yapi ve Kredi Bankasi whose newly-formed capital markets division is expected to become one of the dominant players in the new market. Within weeks, other banks, such as Iktisat and Interbank, had followed suit.

At the same time, the first fully foreign-owned broker and dealer has appeared on the Istanbul exchange, A.O.G. Securities known for short as "Turkinvest." Morgan Grenfell of the UK has set up a financial services company in Istanbul.

"I think before very much longer we can expect one or more of the Japanese finance corporations to set up here," says the chairman of one Istanbul-based bank.

The pace of change may be fast, but the scale of operations is still, by most overseas standards, very small, though rising. In 1982, the total volume of Turkey's money markets was TL 20bn or $106.9m and it included only stocks and bonds.

Head of the Capital Markets Board: Professor Ismail Turk

Last year, with bank bills and commercial papers added, it reached TL 374bn or $558m. This year, the target is TL 500bn ($625bn), with bond issues around TL 300bn ($375bn) and commercial papers at TL 125bn ($156m).

Instruments such as bonds and commercial papers could be a lifeline for companies which are intrinsically profitable but have substantial amounts owing to the banks with interest compounding quarterly at the equivalent of 80 per cent annual.

They are also currently more attractive to savers. Most private bond issues carry a yield of about 46 per cent to 48 per cent well above the 43 per cent which one year deposits earn in the banks. Not everyone is sure how long this situation will be permitted to continue.

"I predict that there will be new taxes on private bonds before long," says the Turkish employee of one foreign bank, though he admits that this is hard to reconcile with the idea of fostering an infant market.

The fall in interest rates led to an upsurge in demand for stocks and bonds during the first quarter of the year, as savers switched away from bank deposits. A newly-created index on the Istanbul stock market which stood at 100 in January last year had climbed to 242 by February this year.

The development of the money markets poses a challenge to those banks, mostly large and state-owned, which are reluctant to follow Yapi ve Kredi, Iktisat, and Interbank into the sector. Not only are depositors being attracted away from the banks, but companies are more often seeking to clear outstanding bank loans, rather than finance new investments when they approach the money markets.

This fact places a considerable responsibility on the Capital Markets Board whose job it is to vet companies wanting to issue bonds or papers. Professor Turk is confident that the Board has the resources to meet the task He points out that so far at least, applications have only come from healthy businesses.

The Treasury borrowing on the other hand is showing signs of crowding out the market. Last year there was a TL1,073bn ($1.6bn) deficit on the consolidated budget in Turkey. No less than a fifth of the budget now goes on interest payments on debt.

Total net borrowing in Treasury bills was TL650bn, just under double the size of the entire private sector capital market, but the Treasury also had to find twice this amount, another TL1.2 trillion ($1.8bn) to pay for 1985 bills falling due.

"We are paying more to the market than we receive on a net basis," says a Treasury official. "In 1987 we plan to borrow TL1.3 trillion ($1.6bn) for net receipts of TL800bn to TL840bn.

So Treasury borrowing, which not long ago was having a positive effect on the markets, is now beginning to have a negative one. We have to neutralise this new trend so that others can come into the markets."

The sale of Treasury bonds, however, has become steadily more sophisticated, thanks largely to measures introduced by the Deputy Governor of the Central Bank, 38-year-old Dr Rustu Saracoglu. Since May 1985, Treasury bonds have been sold at auctions intended to establish a market interest rate.

In recent months, however, the

Dealers in the foreign exchange room at the Iktisat Bankasi HQ in Istanbul. A new generation is growing up with modern skills

Central Bank has sometimes had difficulty in selling all the Treasury Bonds being auctioned. The market appears to be signalling that it would like interest rates to rise again.

This is despite the introduction of a new scheduled auctioning system intended to give signals to the market and allow for a planned rotation of maturities, as well as an arrangement whereby bidders in the auctions have to put down only 1 per cent of their bid in advance.

The Central Bank is also setting up a Government Securities' Market in which it acts as a broker, and this spring has been building up a TL 500 bn ($641m) portfolio of Treasury Bonds from the commercial banks as the first step in Open Market operations.

Competing against this volume of transactions will be hard work—"the problem with commercial papers, as with bonds," says one Istanbul banker "is that only certain names will sell."

Though last year was the biggest ever sale of bonds, for instance, only 160 companies actually issued them. The number of names issuing commercial papers is already about half a dozen, but it is unlikely to extend beyond the range of firms already issuing bonds.

However, most foreign banks are now actively setting up their own capital markets groups. A Dealers' Association has been formed, and for the first time, Turkey appears to have the institutional framework for modern money markets.

The public will also have to change some of its habits. Young families, if they have any excess income, tend to spend it on consumer durables. Even a locally-produced passenger car is regarded as a form of savings.

"Typically, bond customers tend to be elderly people with cash, walking in off the street," says a dealer at Iktisat Bankasi. Such customers have perhaps sold property because they need to keep some of their assets liquid for income. Sales are usually in denominations of TL 50,000 ($60) to TL 1m ($1,250) and have a life of up to two years. Turkey's inflationary environment makes longer-term instruments impracticable.

"We assure customers that we will repurchase the bonds if they wish to sell them again," he says.

Sales are handled through a branch network, one reason why the advent of Yapi ve Kredi with its 584 branches into the private money market could be a landmark. The other larger banks which have up till now only traded in government securities and revenue-sharing certificates may now have to become more interested.

**David Barchard**

Leasing

# Market has great potential

LEASING will attain importance in Turkey once the Government removes obstacles preventing development when, according to experts, the potential for transactions could reach $500-600m cross-border and TL 150bn domestically, in two years.

Leasing was introduced in Turkey in June 1985, with a law which purported to cover and regulate all aspects of it. It did not have much practical effect for more than a year, due to a multitude of legal constraints, including a 20 per cent witholding tax on cross-border transactions and a minimum four-year maturity.

The obstacles are slowly being removed. The witholding tax has been reduced to 5 per cent and significant exceptions made to the four-year minimum contract rule. Experts hope that once Mr Yavuz Canevi's Treasury issues a long-awaited decree, removing the remaining constraints, leasing will become "the new boom business" in Turkey.

In Portugal, whose economy is more or less on a par with Turkey, leasing accounts for 5 to 10 per cent of capital formation. Around $5bn worth of leasable goods are imported by Turkey yearly and an estimated $10-15m spent annual on leasable equipment by the top 250 companies.

Private leasing—particularly by such professionals as doctors and dentists—and car leasing could add substantially to this figure. Present demand for equipment outstrips the financial sector's capacity to provide medium-term credit to purchase this equipment.

Most of the potential is expected to emanate from the public sector for which leasing has more than one advantage. It is reared and linked to the value of the asset financed—it therefore appears off the balance sheet. For the Turks it counts as a domestic transaction and does not impinge on their current account figures.

Prime Minister Turgut Ozal has instructed the PTT to look for leasing to raise $400m to finance part of its 1987 investment programme. Other state agencies are expected to rely heavily on leasing for raising medium-term financing once the system becomes widely known and the constraints holding it back are removed. Prospective clients for leasing include such state agencies as the Ministry of Health, the Soil Products Office and the Turkish Electricity Authority.

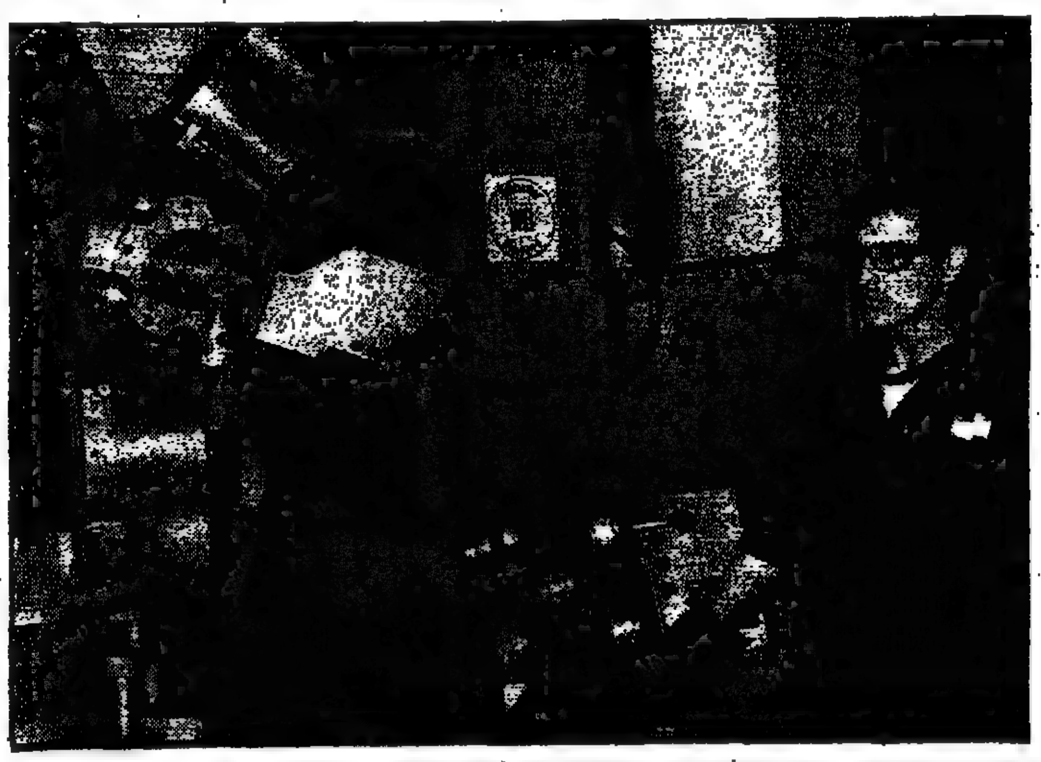
The potential for private sector leasing is also very big since medium-term credit on a free market basis is virtually unavailable.

There are two leasing companies affiliated with Turkish banks, but many new companies are poised to enter once the new decree is released. But one major drawback for setting up a leasing business in Turkey is lack of expertise.

"I am not exaggerating when I tell you that there are not more than five of us in the whole of the country," said Mr Orhan Kurmus, managing director of Yapi Kredi Leasing.

Funding is also a problem, considering the high cost of borrowing and scarcity of funds. This constraint almost certainly ensures that new entrants will be joint ventures between foreign lessors and local banks. The Government is preparing a decree to allow companies to raise funds through lease paper and to match funding with contract period.

Having opened its doors only in March, Yapi Kredi Leasing expects at least $40m in business with private sector and



Around $5bn worth of leasable goods and equipment into Turkey each year and an estimated $10m to $15m is spent annually on leasable equipment by the top 250 companies in the private sector. The potential private sector leasing is great because, since medium-term credit on a free market basis is virtually unavailable. Above: an engineer at the Hema Disli vehicle transmission plant checks gears at the plant at Polatli, near Ankara

$310m with public agencies in its first year of operation, according to Mr Kurmus. He sees his main clients as the PPT, the Turkish Electricity Authority, Soil Products Office, State Water Works, Highways Department, Turkish Airlines and large metropolitan municipalities.

Under the Turkish leasing law, the rental amount may be fixed or variable and may be denominated in Turkish lira or any major hard currency. Minimum annual rental for cross-border transactions is $25,000. The minimum term for contract is four years—a major drawback as such a maturity requires the lessor to enter into the medium-term lending business.

One foreign consultant says: "While such maturity is not excessive in terms of already developed leasing markets, it is in the case of Turkey, where there is no free market medium-term lending."

Others disagree, saying that this does not pose a real problem. In any case, there are exceptions to the rule if the goods have a depreciation period of less than four years.

Financial rental companies can be formed only as joint stock companies. Minimum paid in capital for Turkish companies is TL 1bn. Branch operations of foreign companies must have a paid in capital of no less than $2m. However, the provisions of the foreign investment law remain in effect, which means that foreign partners can buy into the equity of the Turkish leasing company.

In any case, to undertake cross-border deals in Turkey, foreign leasing companies or brokers need not be locally registered.

The rental receivables of the lessor from one customer may not exceed 25 per cent of the equity. In exceptional cases this may go up to 40 per cent or 75 per cent. This ratio is considered by bankers to be too low and a major constraint for domestic leasing.

"This automatically defines your market and means that you won't do business with prime companies because they are not interested in such small-scale leasing," says Mr Kurmus.

**Metin Munir**

## Profile: Enka, one of Turkey's biggest companies

# Record year for contracts

THE MANAGEMENT of Enka Holding Investment, Turkey's biggest trading, construction and contracting company, seem unruffled that they will shortly reveal unspectacular profits for 1986 on the heels of a 25 per cent drop in earnings for 1985.

"We have not made a loss," says Mr Melih Esen Cengiz, the group's chief financial officer, "but it is a modest figure."

More pertinent to the company's health, he adds, is that in 1986 Enka won $2.3bn worth of fresh construction contracts, making it a record year. Its trading arms, meanwhile, grew by 28 per cent and now handle 5 per cent of all Turkey's exports. Mr Cengiz says 1986 was unprofitable only because the group was largely winding up previous contracts and predicts turnover will rise from the $994m in 1986 to nearer $2bn by 1988.

Such optimism sits easily at Enka, which in 30 years has grown to become Turkey's third biggest company and arguably its most international. Today the company employs more than 25,000 people in 41 associated companies which embrace construction, trading, industrial production, banking and engineering. More than half of the staff work overseas.

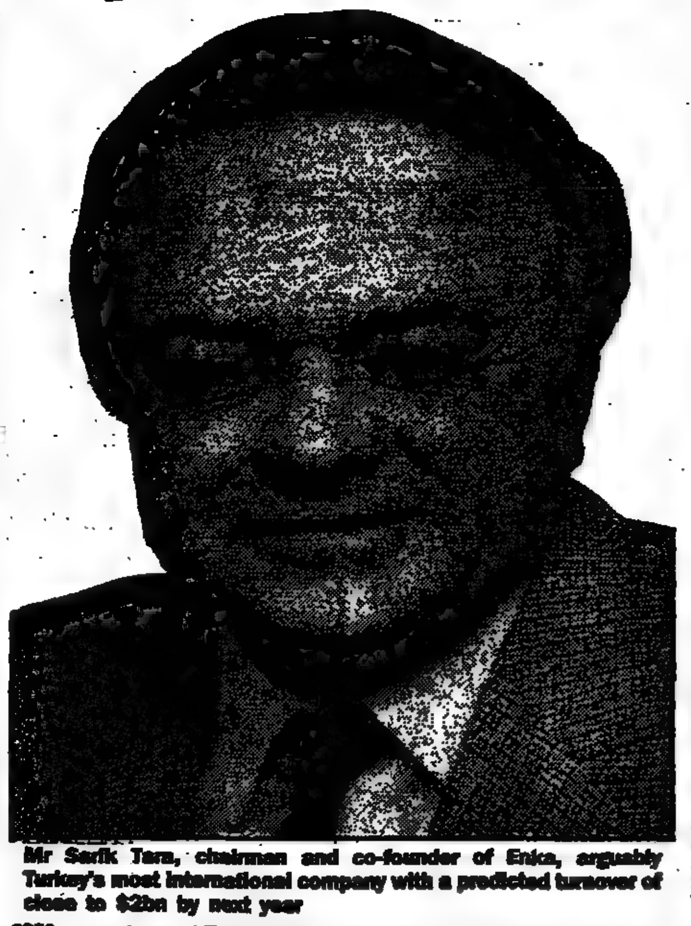
Enka was founded in 1957 on a $1,000 loan by two brothers-in-law just graduated from Istanbul's Technical University, Mr Sarik Tara, today the company's chairman, and Mr Sadi Gulcelik, who sadly was killed in the 1980 Jeddah air crash. The company name derives from an acronym of the Turkish for brother-in-law, *eniste kayinbirader*.

The fledgling construction company, winning a reputation for its ferocious adherence to completion dates, spread its wings swiftly in the 1960s to include its own plastics and steel forging factories and, by 1972, a trading group.

Enka won its first internationally-tendered contract in 1970 as subcontractor to West Germany's Weyss & Freytag to build viaducts for the Bosphorus bridge.

Its first overseas work followed the same year, again subcontracted from a West German company, to build a cement plant in Libya.

Led by Mr Tara's determination to burst out of Turkey's then cossetted economy and fuelled by the spend-thrift Middle East of the early 1970s, Enka then won a succession of lucrative overseas contracts. Often in joint ventures with US and European partners, Enka built a



Mr Sarik Tara, chairman and co-founder of Enka, arguably Turkey's most international company with a predicted turnover of close to $2bn by next year

$350m new town at Ras el Nuf in Libya, a $400m housing project at Medina in Saudi Arabia, plus a host of pipelines, plants and dams in Iraq and Jordan.

By 1980, Enka had already become Turkey's biggest construction company and one of the 15 largest in the world. Its trading arm was also Turkey's biggest. Between then and 1986, benefiting from the liberalisation policies of Mr Turgut Ozal's Government, Enka's turnover grew tenfold. Assets rose from $61bn in 1982 to $262bn in 1985.

Enka grew so fast that rumours spread to the effect that the company had benefited not just from Mr Ozal's policies but also from a friendship between him and Mr Tara. Enka was alleged to have substantially backed Mr Ozal's Motherland Party. This Mr Tara dismisses as "speculation," adding only, "We have good relations with the Government."

Two years ago, however, the group began to stretch itself too far.

"It was difficult to keep the growth under control," says Mr Serif Egeli, managing director of Enka Marketing. Payments dried up due to belt-tightening in the Middle East and, Mr Egeli says, while they have resumed from Libya and Iraq, Saudi Arabia still owes Enka $26m.

At the same time, the devaluation of the Turkish lira and the rise in real domestic lending rates sent the group's financial costs soaring from TL 13bn in 1984 to TL 21bn in 1985, trimming profits for the year, despite improved revenues, by 25 per cent to TL 7.6bn ($11.3m at the prevailing rate).

The years 1984 and 1985 also saw a costly retreat from a policy of acquisitive industrial diversification. A series of often ailing companies, including Burtrak Tractors, Parsan Machine Parts and Elmet Electrometal Industries, were bought with a view to turning them round. By 1985 nine of the acquired units had either been mothballed or sold, at a cost the group puts at $50m.

This retreat did not, however, check advances elsewhere. After winning a flush of large contracts last year, for instance, the group's construction companies, which employ two-thirds of Enka's staff, now have $4m worth of work to complete over the next four years.

The prize contract is a $750m share in a $1.6bn joint venture with Yugoslavia's Hidrograndja to build a dam at Bekhme in Iraq. The deal is partly underwritten by the Turkish Central Bank.

At home, the group also secured a $480m contract to build the Ankara-Gerada motorway jointly with Bechtel of the US, a $300m deal with Spie Cabag of France to build part of the Turkey-Soviet Union gas pipeline and a contract to extend capacity on the Turkey-Iraq oil pipeline. Enka is also linking up with Trafalgar House of the UK to tender for construction of the $390m third Bosphorus bridge.

Trading has also flourished. Last year the group exported $320m worth of Turkish textiles, iron and steel, fruits and nuts, chemicals and fertilizers to markets in the US, China, Europe and Japan.

"We could sell 100,000 tonnes of steel products to Japan, whereas Turkey was a traditional market for Japanese steel products," says Mr Egeli with an implicit wink to the West.

Enka imported $100m worth of goods to Turkey, largely raw materials for the company's manufacturing and construction operations. Growth has been fastest, however, in trade between third countries, which rose in turnover from $100m in 1985 to $250m last year. Most of the trade is handled by Enka's Entrade companies in London and New York and consists of agricultural exports to the Middle East.

Enka now has its eyes on expanding trade with the Soviet Union. Under a reciprocal agreement between Moscow and Ankara, Turkey will pay for 70 per cent of the $1bn worth of natural gas due to flow through the pipeline which will link the countries with a combination of building projects, goods and services.

Enka, which last year opened a Moscow office to add to its 19 others overseas, is one of few Turkish companies selected by the Soviets to help meet this share of the barter deal.

**Mark Nicholson**

## Building contractors

# Winning new markets

TURKISH CONTRACTORS have been working hard to find new markets during the last three years. They are trying to recover ground lost in the Middle East following two oil price drops and the consequent effect on work available.

The Middle East, and Saudi Arabia in particular have been the most important market but efforts to find equally lucrative fields of work elsewhere have largely failed. Many contractors have been forced as a result to return to Turkey in search of work, where they have been helped by efforts the Government is making to expand its road building, tourism and energy programmes.

The state highways department is planning three programmes to improve the national road system and between now and 1991 hopes to complete 1,400 km of motorway financed through contractors and a World Bank loan.

Most contractors are optimistic too about a new market being opened up with Russia as a spinoff from the pipeline being laid to carry Soviet natural gas from the Bulgarian border to Ankara. In an unusual agreement, Russia and Turkey have agreed that 75 per cent of the revenue will be allocated for payment through services, particularly in the construction business.

At least eight groups of contractors (including Sezai Turkes Feyzi Akkaya (SFTA), Dogus Baytur and Kutlutas Holding) are now preparing tenders for five projects involving hotels, hospitals and tourism development in Moscow, Yalta, Georgia and Azerbaijan.

Mr Ayhan Sahenk, chairman of Dogus, is hopeful that this agreement will be the first of many and believes more infrastructure projects will follow.

Dogus has already been a successful pioneer in North Yemen, where it has just completed the Marib dam project, financed by the Abu Dhabi Fund for Arab Economic Development, and is still working on a linked irrigation facility. Despite this success, however, Mr Sahenk is actively diversifying Dogus's activities away from contracting and into tourism and catering. The field, he says, is becoming too crowded and profit margins too small.

Persistence is now reaping rewards for those Turkish contractors who stayed on in Libya over the last three years despite problems with payments and pressure to join the US and European trade embargo.

Business is picking up again, albeit on a smaller scale, and the difficulties over payments have been largely solved by an oil-banking contract which guarantees payment and has reduced the delay to six to nine months.

Indeed, Mr Ozer Olcmen secretary general of the Association of Turkish Contractors in Libya, recently arranged a ministerial ceremony in Ankara to present medals to the most successful contractors because, he says, "nobody believes business is good, even our ministers."

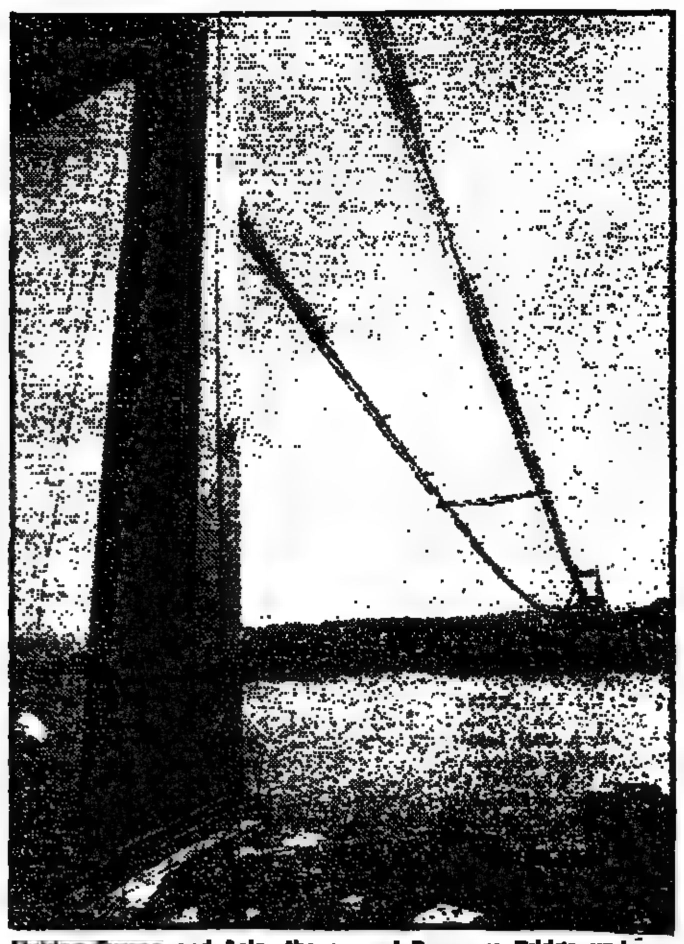
Last year he says US$240m was paid out of the oil banking contract. This year he anticipates income of $500m because Turkey has raised the amount of oil it buys from Libya under the contract from 3m to 5m tonnes.

Baytur, for example, recently signed a $65m contract with Libya to build housing and sees Libya as one of its main markets for the next few years. It is unusual in doing business with both Iraq and Iran, and although no new contracts are in sight at the moment, it is confident that the contacts will be useful in future.

Both countries make their payments in oil, which Baytur SA of Geneva then transports and sells, using the proceeds to pay both the contractor and the oil supplier, in a deal similar to that set up between Libya and the Turkish Government.

Another of Turkey's big contractors, SFTA, has looked as far as China and Malaysia for contracts, without success. Mr Ulas Bicakci, organisation and systems manager, explained that the company had returned to Turkey to seek work after almost 10 years overseas.

It is building the road for the second Bosphorus Bridge and has several other big government contracts which have given it prominence inside Turkey, but overall sales turnover is down. It has just started a $38.2m limestone quarry project in Libya—but this compares poorly with a $350 contract they were working on in the country just five years ago.



Linking Europe and Asia: the second Bosporus Bridge under construction, near Istanbul

They are tendering for work in Saudi Arabia but, in common with most other Turkish contractors who are either completing contracts or have already pulled out, they are finding the competition there extremely tough, particularly from those companies able to undercut their prices with the help of Filipino or Pakistani labour. South Korea is also a strong competitor.

Kiska, which five years ago conducted 50 per cent of its business abroad, says that 98 per cent is now government contracts inside Turkey. It has found competition very strong in Africa and Pakistan and is now considering branching out into the US with a plan to buy land in New York, build a hotel or conference centre to sell.

Kutlutas Holding has seen its overseas market shrink from 75 per cent of business to 25 per cent in the last five years, having pulled out of Libya in 1985.

The buoyancy of the domestic market has led foreign companies to take a serious interest in Turkey. Bechtel of the US for example has a letter of intent to create a free trade zone in the area from Adana to Yumurtalik on the south coast.

It has just completed a feasibility study and is now seeking foreign and domestic involvement in a company which will operate the zone and be responsible for the infrastructure.

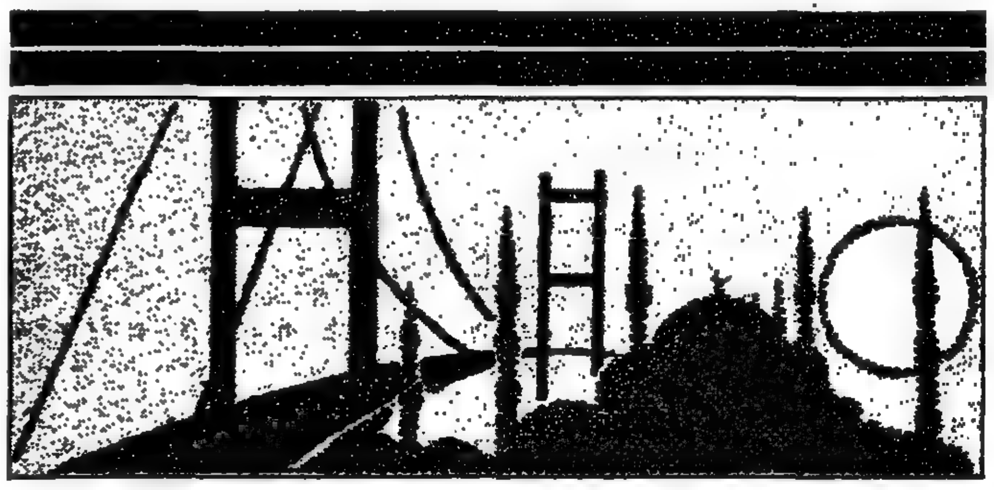
The financing will be private in this case, but Bechtel is also bidding for a coal power plant which will be built on the Government's build-operate-transfer (BOT) scheme.

Mr Erdal Kabatepe, Bechtel's representative in Istanbul, believes that this $1bn project, for which five foreign-led consortiums are bidding, will set the pattern for the success or failure of the BOT model.

Not everyone is as optimistic as he is, particularly about the proposals to build some sections of toll motorway under the scheme. But the size of the power plant contract and the Government's plans to build three altogether, will undoubtedly focus attention on a financing scheme which has taken a long time to get off the ground.

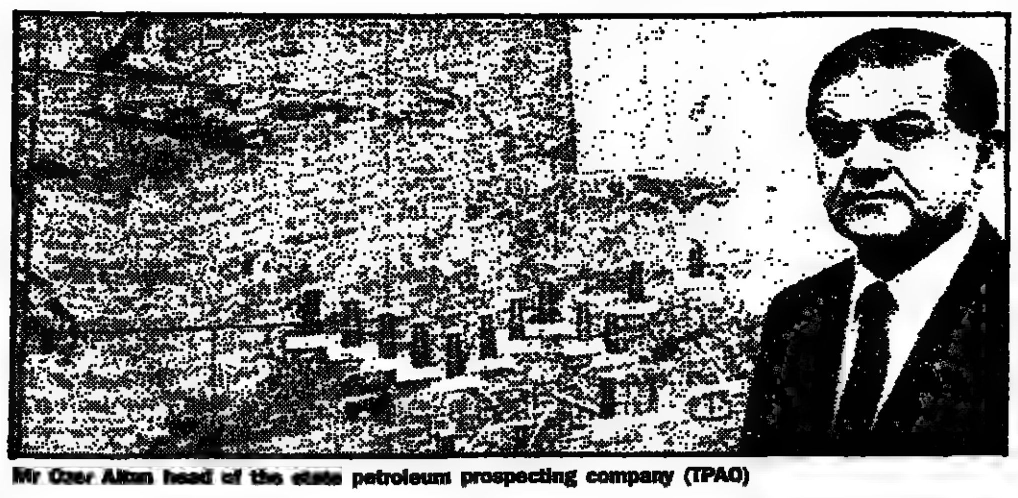
**Annie Wilson**





Energy planning

# Key to national growth



Mr Ozer Altun head of the state petroleum prospecting company (TPAO)

ENERGY PLANNING is the key to the Government's vision of Turkey's growth into a major international industrial and trading power by the year 2,000. For an economy beset by onerous debt servicing dues, a perennial current account deficit, and pressing structural inbalances, the Government's energy development plans are ambitious indeed, particularly in electricity generation.

Turkey is broadly self-sufficient in electricity generation, but otherwise about 46 per cent of total energy supply still has to be imported, mainly as crude oil, even though the energy sector has accounted for about 35 per cent of all public investment since the early 1980s.

Domestic energy production is expected to rise at a rate of 5.5 per cent in 1987, expanding particularly in hydro-electric generation and lignite (brown coal) production.

Oil is the largest single item on the import bill. Despite the fall in international oil prices in 1986, when Turkey paid an average $14.60 a barrel, total crude imports cost $1,807m compared with $3,321m in 1985 at an average price of $28.90 a barrel. State Minister Kazim Oksay, responsible for petroleum affairs, says that, on average, a barrel of oil is expected to cost Turkey $18 in 1987.

Such a heavy dependence on imported crude unfortunately embroils the Government in the economic politics of oil, particularly in Turkey's relations with its warring neighbours, Iran and Iraq.

In 1986, for example, Iran's share of total oil supplies fell to 11.9 per cent compared with 36.9 per cent in 1985, due to Tehran's dissatisfaction with Turkish netback prices, and failure to purchase Iranian non-oil goods, as detailed in government to government trade agreements.

According to the most recent of these in late April, Turkey will lift $900m worth of Iranian crude in 1987, and at the same time, will increase non-oil imports, providing cost and quality are reasonable.

Political considerations have to be weighed, too, in the projected imports of Soviet natural gas through a pipeline under construction from the Bulgarian border to Ankara via Istanbul.

By the early 1990s, Soviet gas imports will rise to total 6,000m cubic metres a year. Payment will partly be in goods and services—including construction of hotels in the Soviet Union—adding another layer to the complex interplay of Turkey's Comecon relations.

The gas will supply power stations and industry, besides solving the acrid pollution of Ankara's winter skies by heaters burning sulphurous lignite. Work costing upwards of $1,500m in total will be needed in Istanbul and Ankara to convert and expand existing gas distribution networks.

A second electricity transmission line from the Soviet Union will also become operational in July, raising the yearly Soviet supplies by around 50 per cent to 1,100m kWh.

Domestic oil and gas production will hardly make a dent in the imported energy bill for the foreseeable future. Total domestic crude output of an annual 49,000 barrels a day (b/d), plus about 1.5m cu metres a day of gas, meets only about 12 per cent of total hydrocarbon needs.

The state-owned Turkish Petroleum Company (TPAC) is the largest domestic crude producer with an output of 26,000 b/d; it is followed by the Turkish subsidiaries of the Royal Dutch Shell Group and the US Mobil, which produce 18,000 b/d and 5,000 b/d respectively.

In 1987, TPAO aims to step up its output to 1.5m tonnes compared with 1.2m tonnes in 1986. But the goverment is involved in a continuous struggle to replenish total recoverable reserves of around 16m tonnes by finding new small fields in the fractured terrain of the south-east.

The glutted international oil markets and the oil price falls have sapped international oil companies' interest in the drive launched in 1983 to attract new foreign exploration companies.

Although around 14 foreign companies now hold exploration concessions, only one—Aladdin Middle East—has made a small commercial find.

Expanding electricity generation from both thermal and hydro-electric sources is the best avenue the Government has to offset imported fuel bills.

Because the Ozal administration has more vigorously pursued its power station construction programme than its predecessors, there will be an expected energy surplus of 10,000m kWh in 1987. This will rise to 15,000 kWh in 1988, says Energy and Natural Resources Minister Sudi Turel—the rise will allow the Government to shut down some stations for use only at extreme peak load periods.

Mr Turel says the Government has even offered to sell electricity to Bulgaria, after stopping imports in 1986—seen as a political gesture aimed at embarrassing Sofia, with which relations are bitter because of the persecution of Bulgaria's Turkish minority.

But by the end of the century, an expected increase in demand to 170,000m kWh from 30,000m kWh in 1985 will require a corresponding increase in capacity to 32,000 MW from the present 7,000-8,000 MW.

However, the military's costly panacea for Turkey's energy deficits—nuclear power—has been effectively shelved until the early years of the next century, when it will be required to top up production from conventional sources.

The generals left the Ozal Government an expensive legacy in the shape of letters of intent to foreign-led consorta for three $1,000m nuclear plants. By mid-1986, these had been narrowed down to one at Akkuyu on the Mediterranean coast, when negotiations on the "build-operate-transfer" (BOT) model with a consortium led by Atomic Energy of Canada (AECL) stalled over the degree of insurance exposure the Canadian Govenment was asked to shoulder without a Turkish sovereign repayment guarantee for Canadian construction financing.

The Turkish Government steadfastly maintains it cannot guarantee repayments by the ostensibly private sector BOT companies which will be set up to raise finance for, build and then run BOT schemes for a limited period to recoup costs and make profits, in the case of power stations through guaranteed sales of electricity to the state-owned Turkish Electricity Board (TEK).

The BOT method—which has captured the imagination of the contractors and bankers—has enabled the Government to put off the nuclear millstone. But for the far less risky conventional thermal and hydro-electric plants, it will probably enjoy a limited success, releasing funds for deployment elsewhere in a hard-pressed budget.

Agreement in early 1986 by the Export Import Bank of the US (Eximbank) to support US funding for three large BOT thermal power schemes without a counter Turkish sovereign guarantee broke the log-jam. Best and final-offers were returned in April by six foreign-led consortia for BOT plants burning imported coal, each in a cost and output range of $800m-1,400m, and 700-1,400 MW.

A contract for only one will be signed in 1987; the rest will follow at yearly intervals.

The stations will burn imported steam coal. In bulk offloaded through associated coal terminals, it will prove cheaper than the hard coal already mined from difficult, steeply-inclined seams in the Zonguldak region bordering the Black Sea coast, where until recently the mines had a notoriously bad safety record.

An Australian proposal for a 1,400 MW plant at Gazi near Iskenderun in the south-east is aimed at securing a captive market for surplus Queensland production—and eventually a regional sales depot for about 10m tonnes a year.

Only 15 per cent of yearly domestic output of between 3m-4m tonnes goes towards electricity generation; the remainder is used in the steel industry.

Most of Turkey's thermal plants are, in fact, fuelled by the slow-burning and environmentally hazardous lignite; East European companies have now won sizable contracts recently for lignite-burning stations.

Completion of the first phase of the massive Afsin-Elbistan scheme is scheduled in 1987, and 13 other lignite-fuelled stations are included in the current investment plan.

There has been such an encouraging response to the BOT formula that Turel says only BOT proposals will be considered for major power projects in future. This would imply rapid privatisation of the power sector, at present dominated by TEK. The two existing private sector producers—Cukurova Elektrik and Kepez Elektrik—accounted for only 11.5 per cent of total output in 1985.

There is no provision for new thermal power plants in TEK's 1987 investment programme, and that of the State Hydraulics Agency—responsible for hydro-electric dam construction—sets aside only TL 43,600m for new projects, compared with TL 223,000m budgeted for projects already under construction. Much of this will be eaten up by the giant 2,400-MW Ataturk dam, a quarter complete and centrepiece of the south-east Anatolia development programme (GAP).

More than 60 projects in the hydro-electric sector are being negotiated on a BOT basis; in late April, the Government reached preliminary BOT agreements for four small to medium sized hydroelectric projects—much larger hydroschemes are being negotiated with foreign companies, but progress is slower and more complex than for thermal plants.

Jim Bodgener

Labour and unions

# Low wage rates offered as investment lure

Mr Sevket Yilmaz, head of Turk-Is (left) and Mr Abdullah Basturk, the head of the outlowed Disk. The Türk-Is unions are being stiffened by an influx of Disk militants

THE CURRICULUM vitae of the prime minister Mr Turgut Özal provides one of the most significant insights into contemporary Turkish politics.

Before entering politics Mr Ozal was chief negotiator for the engineering employers and a highly effective one by most accounts. This helps to explain why the unions look almost as weak today as they have at any time over the past seven years.

Labour organisations were broken in 1980 and then granted limited legitimacy in 1983, but while other areas of public and political life have benefited from a liberal thaw over the past year the unions remain marginalised.

"It is true the unions do have rights in law but they are so circumscribed it is almost impossible to use them." says Mr Jeff Bellinger of the AFL/CIO office in Ankara.

Mr Ozal has taken a very direct interest in labour relations and drawing on his past experience has made a harsh and realistic assessment of union clout. While other politicians might have been forced to give ground in the face of the renewed rhetorical militancy of Turk-Is (the main trade union centre) Mr Ozal has, if anything, tightened the screw.

Out of a total workforce of 16m there are now only about 2m unionised workers (split evenly between public and private sectors), down from nearly 4m in the late 1970s. To have the right to represent workers, unions must now have at least 10 per cent membership within an industry and 50 per cent at a particular workplace.

It is effectively impossible to extend union organisation to places where it was not already strong prior to 1980, while the stiff preconditions for collective bargaining and the dramatic failure of several strikes-notably in shipbuilding and engineering—have cut effective membership.

More important, effective strikes remain almost impossible to organise. Strikes are banned entirely in most of the public services and in large parts of the private sector such as energy and banking. The Government is also encouraging employers to buy people out of union contracts and replace them with individual contracts which rule out industrial action.

Against this background, it is, perhaps not surprising that real earnings are estimated by some observers to have fallen about 50 per cent since 1980. According to Ms Sukren Ketenci, the labour editor of the left-of-centre daily Cumhuriyet, the gap between inflation and wage increases has widened over the past few years. In 1983 real inflation was 29 per cent and average pay increases were 22 per cent; in 1984 inflation rose to 46 per cent and wages to 29 per cent; in 1985 the figures were 45 and 27 per cent and last year the gap narrowed slightly to 40 and 29 per cent.

The forcing down of wage rates is of course part of the Ozal Government strategy for attracting foreign capital and promoting export led growth. To the embarrassment of union officials and many workers Mr Ozal has been travelling the world energetically explaining that wage rates are now well below most Far East producers. The gross minimum wage remains about TL40,000 (£30) a month and employers pay negligible payroll and social security taxes. Although there is no welfare state to speak of Turkish employers are expected to provide relatively generous redundancy pay. One foreign employer claims that sacking someone after five years employment cost him more than TL500,000.

The Government has also recently introduced a housing tax on employers to help tackle the country's chronic housing shortage, but it remains at a very low level and the authorities are well aware that if it is increased employers will simply hire more workers who are already housed.

In many industries direct labour costs are now less than 10 per cent of the total. One textile employer says that labour was now his fourth largest cost after raw materials, interest, and energy, while only a few years ago it had been his second major cost.

However, with foreign investment increasing only from a drip to a trickle, and unemployment remaining well above 10 per cent, the cheap labour policy is becoming harder to justify. There is a growing fear among employers—both foreign and domestic—that labour relations have recently been merely dormant rather than stable. For example, Mr Meric Ulgen, managing director of the Santral Dikis textile group says: "The unions have been pushed hard and there will no doubt be a price to pay." He did add, however, that there was unlikely to be a relapse into industrial anarchy, which characterised the period before 1980.

It is true that strike activity is increasing a little. A three month strike at Netash, the part Government-owned telecommunications business, ended in something approaching a victory for the union. But it was a painful victory and there is in any case some suspicion that the result was engineered by the authorities to please international opinion. There are further, as yet unresolved, disputes in the petro-chemical and metals industries.

Also, Turk-Is—the moderate trade union centre which was once close to Government—is starting to sound more militant than it has for many years and has been sponsoring marches and days of protest to press for reform. However, the muted response to the temporary detention of several Turk-Is leaders, following a protest demonstration on March 24 suggests that the new found aggression of Turk-Is is not reflecting a changed popular mood.

Indeed the leaders of Disk, the outlawed left-wing trade union centre, point out that there was a high degree of theatre in the March 24 events. Turk-Is could quite easily have got permission to stage its demonstration but chose not to in order to present an impression of embattled strugglers to its disillusioned members.

The Government was quite happy to play along with Turk-Is on this occasion. It also recently disbanded the state co-ordination boards, wage-setters in large parts of the public sector, and this was seen as a minor sop to the unions. However, as the head of the various state enterprises still meet behind closed doors to fix wage levels it is a reform of little value.

So, no serious challenge to the Ozal strategy is yet in sight but pressure may be mounting. The lack of effective opposition to date has two main causes. First, most Turkish people still make a connection between labour militancy and the political violence of the late 1970s and it is not difficult for the Government to underline persistently this connection.

Mr Sevket Yilmaz, the gruff former miner who runs Turk-Is, claims that people are now starting to question the link between violence and the unions. The performance of the social democratic parties at the next election will be the best test.

The second obstacle to reform is the continuing political division within the labour movement. Some observers have attributed the slight upturn in strike activity to a de facto merger between Turk-Is and the outlawed Disk, with the Turk-Is unions being stiffened by an influx of Disk militants.

The leader of Disk, Mr Abdullah Basturk, a wiry and passionate radical, was recently photographed shaking hands with Mr Yilmaz but the tension between the two camps remains. Mr Yilmaz claims that 95 per cent of former Disk members are now in Turk-Is unions, while Mr Basturk claims it is only 50 per cent.

Mr Basturk believes it will be impossible to change Turk-Is from the inside into a more militant, political, body and says that whenever his former members become influential in the union they are sacked. Ms Ketenci also points out that while 90 per cent of the Hotel union were former Disk members all its leaders are long-standing Turk-Is members.

Turk-is seems more worried about defections to its right, into non-alignment or the conservative-nationalist union centre which appears to be growing in strength. The truth is that no union centre has very much clout when organised labour is deliberately excluded from power but the divisions at the top do not help to provide inspiration for the daily battles on the shop floor.

Turkish industrialists may eventually have cause to regret Mr Ozal's apparent lack of interest in building up a strong, responsible, non-political trade unionism in Turkey. By conceding some of the demands of Turk-Is for real rights—in taking strike action for example—Mr Ozal could both appease international opinion and help to bolster the flagging status of Turk-Is.

Some businessmen are looking to the future and encouraging moderate Turk-Is aligned trade unionism in their own plants. Mr Ferzat Kuchani, of Telra Electronic, said that in a spell of very bad weather at the start of the year he had offered to pay an extra allowance to workers who struggled in. He then deliberately made it look as if the union officials had squeezed it out of him.

Mr Kuchani's view is that the Government should spend less time bashing the unions and more time thinking about how to tackle some of the skill shortages, particularly in computer hardware

David Goodhart



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**Ministerial profile:** Kazim Oksay (right), one of the most senior ministers in Mr Ozal's inner Cabinet. Mr Oksay supervises petroleum affairs—an industry containing Turkey's largest *industrial sector*

Mr Oksay — a portfolio stretching from petroleum to religion. Turkey's big cities will be using Soviet natural gas from next year onwards.

# Quest to reduce energy imports

APPLYING THE free market policies of the Ozal Government to Turkey's petroleum industries is the task of Mr Kazim Oksay, one of the most senior figures in Mr Ozal's inner cabinet of state ministers.

Like his colleagues, Mr Oksay has a varied portfolio. Apart from petroleum affairs, it also includes supervision of the Presidency of Religious Affairs and of religious endowments, (Vakfs); the Council of State — the supreme administrative court; and wage negotiations with public sector unions and employers.

*Mr Oksay was one of the long-standing* colleagues from the Prime Minister's Office whom Mr Ozal invited to join him when he went into politics in 1983. He subsequently went on to stand and be elected in the general elections that year.

Previously he had worked in the State Planning Organisation and the prime ministry where he got to know the future premier well. He was head of the social planning section of the SPO from 1980 onwards, but his background lies in administration and economics.

The petroleum industry contains Turkey's largest single industrial sector but the country imports more than 80 per cent of its crude oil. Bilateral negotiations with supplier countries, most of whom are also regional neighbours and, in good times, Turkey's main export markets, take up a great deal of ministerial energy every year.

Turkey would like to reduce its dependency on energy imports but there are basically only two ways it can proceed. One is to encourage prospecting in the hope of finding new deposits. The other way is to tap the energy resurces of its neighbours through projects such as the two pipelines linking Turkey with the Iraqi oil fields around Kerkuk, or the pipeline now being constructed between the Bulgarian border and Istanbul and Ankara which will bring Soviet natural gas to Turkey's main industrial centres.

The introduction of Soviet natural gas is likely to be one of the main achievements for which the Ozal Government is remembered. It should not only make additional energy available to industry but end chronic pollution problems in *Ankara and other big cities.*

Mr Oksay has signed an agreement for a feasibility study with British Gas for the conversion of the Ankara system to natural gas.

"But LPG will have to compete with fuel oil," he says. This may mean a subsidy, the details of household conversion still have to be arranged. A subsidy to householders looks unlikely. He hopes that use of the gas will begin from the winter of 1988 onwards.

A second challenge, says Mr Oksay, is to cope with the refining sector. Planners in the 1970s over-estimated Turkey's demand for refining capacity a decade later. One solution which he favours is to rent out some of the excess capacity.

He is also eager that TPAO, the state prospecting organisation, should start to work outside Turkey, probably in joint ventures with foreign companies. In early May, TPAO concluded an agreement with the Iranian National Oil Company for a joint venture.

Initial operations with regional companies are seen as a logical first step, but eventually Mr Oksay would like to see TPAO gaining experience in joint ventures further afield.

Inside Turkey, the wait for a big discovery continues—"But there is no sign of one so far" says Mr Oksay.

Petroleum refining operations last year made a pre-tax profit of TL 41,000m ($61m).

Ahead, though the task is difficult in this sector, there could be privatisation. Some corporations, such as Botas, the state pipeline corporation may not be privatised for strategic reasons. Botas, regarded as one of Turkey's most dynamic public *sector bodies, is currently* supervising the final stages of the construction of the second pipeline from Iraq which should mean that up to 80m tonnes of crude a year travel to the terminal at Dortyol near Iskenderun.

Mr Oksay shrugs off questions—with a disarming smile—about his other and more controversial role—the Presidency of Religious Affairs.

"These are really matters for the Foreign Affairs ministry," he says. The signs of piety on the walls of his room are evident, a large inscription in golden Arabic letters and a painting of an Istanbul mosque at the beginning of the century.

One of Mr Oksay's aides says: "You should understand that Mr Oksay is a staunch defender of Ataturk and his principles of secularism."

The Government meanwhile gives every sign of being dismayed, even bewildered, by the accusations of "partiality" towards religious extremists which have been hurled at it by some of its opponents.

**David Barchard**

Mining

# Reforms to attract investors

IF, as legend has it, King Midas was born in Ankara, he clearly *did not bequeathe a golden* touch to his country's mining industry. Turkey possesses an abundance of minerals, such as boron, chromite, magnesite and bauxite, but most have suffered badly from falls in world prices.

Moreover, the Government's efforts to transform the lumbering public sector industry it inherited into a haven for private—and particularly foreign—investment have had disappointing results.

These efforts have been considerable. Mr Turgut Ozal's Government began by effectively rescinding the nationalisation of the mines which had been enacted in 1978 by the previous civilian administration. It then permitted Etibank, the state bank which as a legacy of nationalisation was the country's biggest mine owner, to enter joint ventures with private companies.

Finally, and perhaps most important, the Government in 1985 replaced the country's 40-year-old and pedantically bureaucratic mining laws with legislation making it faster and easier to win mining rights and exploit them without undue state interference.

At the time, the Government reckoned that up to 50,000 of Turkey's claims had lapsed, often without ever having been worked. The new law was thus drafted to woo private investors towards this dormant potential.

The law made a myriad changes. The procedure for granting exploration permits was hastened so they could be issued in 15 days, where previously such approval could take years. To ensure mining claims were worked, the law provided that they will lapse after 30 months if exploitation has not begun.

To guarantee, however, that licences are not abruptly withdrawn due to non-conpliance with some legal formality, a frequent nuisance under the old law, mining companies were given two months to rectify any procedural malfeasance.

Concessions are granted for a minimum of 10 years and a maximum of 60.

The Government also replaced a blanket 3 per cent tax on the value of a mine's total ore output, which had crippled less profitable mines, with a 5 per cent levy on profits.

An extra 5 per cent on profits is also levied in order to set up a Mining Fund which will extend credit to new companies and subsidise loss-making exporters.

Mining companies almost universally hailed the new legislation, although there were some grumbles that the effective tax rate has been set too high and that there are no tax-related incentives to explore. Two years on, however, most companies complain that its application has been bedevilled with often silly problems.

Mr Herman Gareis, president of Magnesit in Istanbul, says his company bid for several apparently lapsed magnesite claims only for the Ministry of Natural Resources to discover on closer inspection that the claims they offered had not technically lapsed. Mr Gareis believes the true figure of available claims may end up nearer 5,000 than 50,000.

There have been other niggling problems. All mining claims, for instance, must be entered on a central computer at the ministry, but until recently the ministry has had no one on staff who could properly work the machine. It has also been illegal until recently to possess the 1:25,000 scale maps on which the new law says claims must be made. The maps were considered classified military documents.

"The authorities have to change their mind—set to catch up with the law," says Mr Denny Caouki, director of Egemetal, a chromite mining house in Istanbul. "But it is starting to work, new mines are opening. It is too early to criticise."

There are few signs yet, however, of a resurgence in the fortunes of the industry which, for the past 10 years and despite the claims made for its potential, has accounted for around 2 per cent of Turkey's gross domestic product and just 4 per cent of its exports.

Last year the rate of mining output growth actually fell by 3.8 per cent, the first decline in four years.

The reason is simply the weakness of world markets for most of Turkey's minerals. A gloomy Mr Namik Esmer, president of the Association of Turkish Mining Exporters, lists the resulting discrepancies between the country's export capacities and actual output last year.

In chromite, capacity is 600,000 tonnes a year, but less than 400,000 tonnes was mined for export. Barely half of the 400,000 tonnes of Barite Turkey can produce was actually exported. Magnesite fared worse, with exports last year of 230,000 tonnes compared with capacity for 800,000 tonnes. In each case, says Mr Esmer, the price of these minerals has fallen by nearly a third in the past two years.

Many of his 600 members have been forced to close mines, he says, adding that he is angered that the Government has so far made no disbursements from the Mining Fund to help badly-hit exporters. He says the fund now lies at TL 10m.

"Turkish miners need credit, and even from our own funds we can't get it—it's our money. It means the Government is just taking a 10 per cent tax from Turkey's miners," he says.

The public sector, in the guise of Etibank which employs 75 per cent of Turkey's 90,000 miners, has not been as badly affected by market weakness. Last year the bank's mines accounted for 61 per cent of Turkey's $298.5m worth of mineral exports.

Furthermore, just under half of this export total represents sales of boron and refined borates which, as another legacy of nationalisation, are mined exclusively by Etibank.

Demand for boron, of which Turkey is the world's second biggest producer after the US, remains firm on world markets.

However, while Etibank reported overall profits of TL 22bn in 1985, the latest figures available, this covers earnings from its commercial banking services and from large stakes in the country's metallurgical and fertiliser industries. The bank is unwilling to distill figures on the profitability of its individual mining activities.

"Let's just say Etibank is conscious of the unemployment problem."

But even if the Government has a strong incentive to keep a sizable and perhaps uneconomic stake in mining, this is not seen as necessarily jeopardising its other mission of attracting private investment through joint ventures.

"They are good to do business with," says Egemetal's Mr Caouki of the state bank. "Their top management is new and has modern ideas. There was a big gap between the private and public sectors, but that has changed."

Egemetal is presently studying a plan to mine 30,000 ft of chromite a year from Harmancik in the north in a joint company with Etibank and Bomar Resources of the US.

It is one of several Etibank joint ventures, of which the most ambitious is a $100m scheme to mine copper from the black sea coast area of Cayeli in a venture with Phelps Dodge of the US and Turkish group Gama. A joint company has been formed and it is hoped mining will begin next year.

Etibank, however, also seems to lack the Midas touch, notably in its dealings with foreign investors. The bank's project manager, Mr Ata Gurleyik, describes with exasperation how in two projects, to mine marble from Marmara Island with Italy's Pelligrini and to mine soda ash from Trona with FMC of the US, both foreign partners pulled out at the last minute after Etibank had committed TL 500m on each scheme.

In each case the companies withdrew citing low world prices for the minerals, Mr Gurleyik says.

Similar gloom surrounds a project to mine copper from Siit with West Germany's Preussag. After the bank made an investment of TL 600m in the scheme, the ore was found to be too heavily infused with zinc to make smelting out the copper economical and the project is now moribund.

In the context of such bad news, it is not surprising that a visit last month by two senior gold mining executives from Anglo American, South Africa's biggest mining house, caused a minor sensation.

Miliyet, the national newspaper, reported the week-long visit under the headline "Goldrush" and speculated that Turkey may possess as much as 60,000t of gold. Anglo's resident mining consultant in Ankara, Mr Ferid Kromer, was instantly beseiged with telephone calls from all corners of the country from people offering to sell their mining rights to the corporation.

Between such calls, Mr Kromer confirmed that there *was* geological evidence of gold in Turkey — and that, after all, King Croesus of Lydia, on what is now Turkey's Aegean coast, owed his legendary fortune to local gold — but called Miliyet's claim "imaginative". He also said that Anglo were seriously considering the possibility of mining gold in Turkey, where none is today mined commercially.

Perhaps most heartening for the Government, however, Mr Kromer added: "The few foreign companies mining here have generally been rather stingy and lazy. Anglo's arrival will invigorate them, and perhaps excite the interest of a few outside."

**Mark Nicholson**

Highways development

# Big plans under way

TURKEY'S ROAD system has become heavily overloaded in the past decade, carrying great volumes of commercial traffic on a network which is largely two-lane highway and crumbling under the strain.

In the past two years the Goverment has been investing in an ambitious project to improve the backbone of its network, the artery leading from the Bulgarian border through Istanbul to Ankara and south to Syria and Iraq.

There are also plans to develop the roads in the west around Izmir and towards Erzerum in the east, with some stretches being offered under the Government's build-operate-transfer plan.

Mr Atalay Coskunoglu, director-general of the State Highways Department, plans to have completed 1,400km of four-lane motorway by 1991 at a cost of $551m. This includes the second Bosporus Bridge, the bare bones of which can already be seen stretching high above the water, which will connect roads either side from the Bulgarian border to Ankara in the first development phase.

This is Mr Coskunoglu's second spell of office in this department. His first involved building the original Bosporus Bridge and once that had been successfully completed he went to work for Lassa.

When the Government began *to consider the second bridge,* he was asked to return. After this, he says, he will retire.

The ambitious—and expensive—new highway system is regarded by some bankers, as a luxury which Turkey may not entirely need. The projects have certainly been a life-saver for many Turkish construction groups withdrawing from depressed Middle Eastern markets.

There is no doubt about the need for improvements: the first bridge is now carrying 180,000 vehicles a day, with queueing inevitable at all hours, and on the stretch of completed motorway from Istanbul to Gebze traffic has already increased by 10 per cent.

In the south, the road between Tarsus and Adana carries 36,000 vehicles a day. Trucks, lorries and buses make up 50 per cent of the traffic and in places the proportion is even greater—around Adana and leading up to the Iraqi border commercial vehicles are 95 per cent of the traffic.

All the new highways will be four-lane, with provision to add one more lane. City ringroads will be six-lane. Mr Coskunoglu expects the network to increase traffic by 6 per cent a year. Tolls will be charged on all the new motorways and will contribute to continuing improvement.

"If we complete our programme of 1,400km of highway, we will be able to generate income to continue with 200km of motorway a year," says Mr Coskunoglu.

The Government last year spent $500m on its roads and is increasing the budget this year to about $750m, with a $257m loan from the World Bank. Finance for each section is arranged by the contractors, who then offer a package to the Government which signs the loan agreement. It is an unusual system, but Mr Coskunoglu says he receives a steady stream of inquiries about its operation from other countries.

"One way or another we have to increase the capacity of these roads," he says. "If we do not provide additional capacity our economy will suffer."

Contracts have been signed for the highway between Edirne at the Bulgarian border and Ankara: the bridge project is being carried out by the consortium of Sezai-Turkes Feyzi Akkaya, Impreglio and C.Itoh; between Gumusova and Gerede will be built by Astaldi; Gerede to Anakara and the Ankara ringroad by Enka and Bechtel; Sakarya to Gumusova by Entes, Balfour Beatty, financed by Morgan Grenfell; Kinali to Edirne by Dogus with no foreign partners, financed by American Express; Tarsus to Gaziantep (240km) by Tekfen, Intes and Impresit of Italy.

*Letters of intent* have also been given to Kutlutas for Izmir to Ayden and to Entes and Balfour Beatty for Ayden to *Denizli.*

For the first time since the BOT plan was introduced about *three years ago, Mr Coskunoglu* is offering some stretches of road under the scheme. Several groups are interested, he says, in the BOT plan for Izmir to Cesme and Izmir to Salihi.

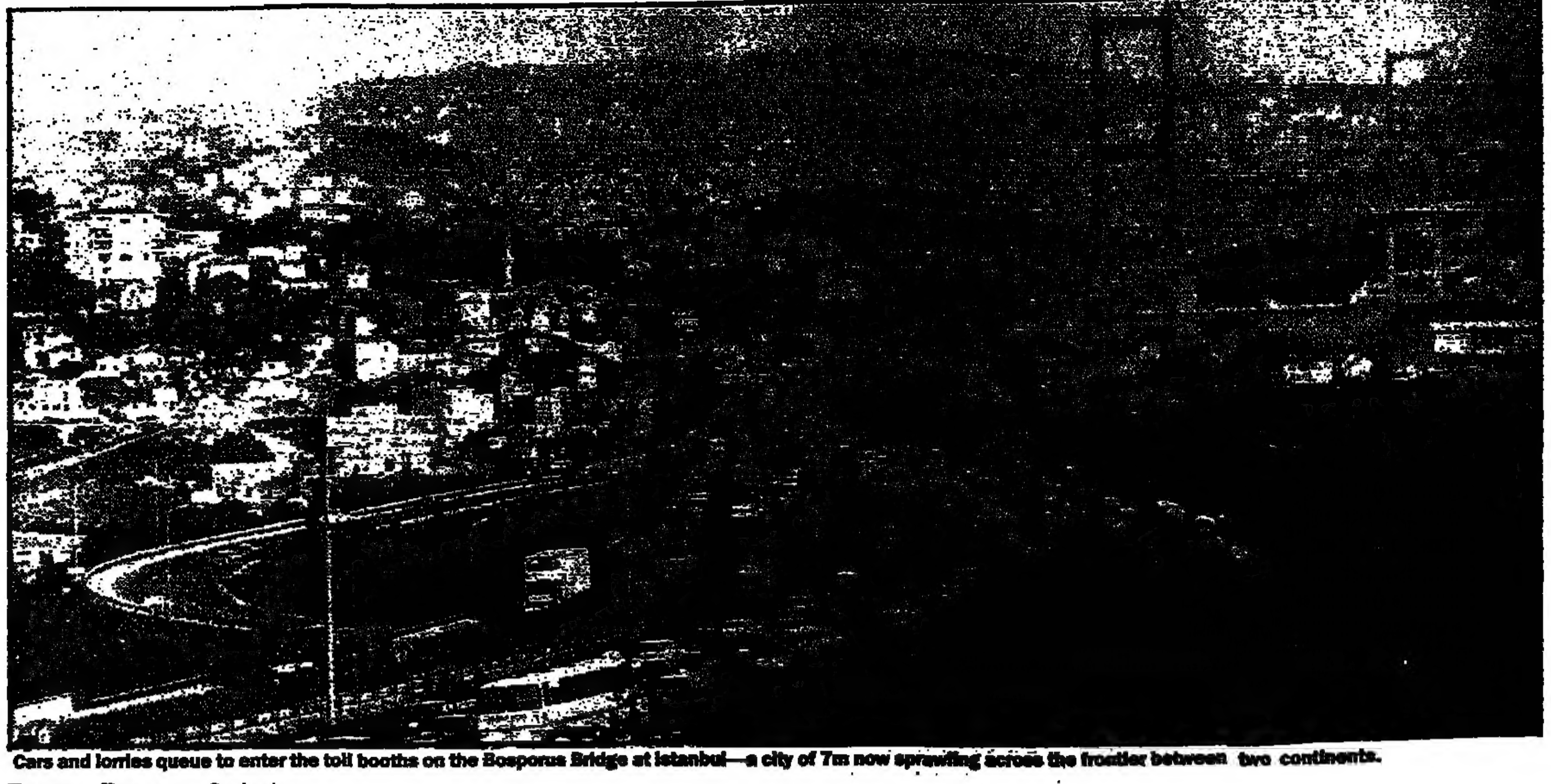
"If we develop sufficient interest, maybe we can start these roads this year," he says with undeniable optimism.

That optimism may not be entirely justified. Many of the proposed (toll) roads will run parallel to the old original highway and contractors are investigating their potential with considerable caution.

Dogus, for example, is still carrying out a feasibility study on the Pozanti to Tarsus stretch—but they made sure from the start that there would be no alternative to the new route through a mountain pass.

**Annie Wilson**





Cars and lorries queue to enter the toll booths on the Bosporus Bridge at Istanbul—a city of 7m now sprawling across the frontier between two continents.

Urbanisation

# A country on the move

TURKEY IS an intensely mobile society. On the one hand, *the Ottoman families* and early republican elites are becoming yesterday's men as the headlines are made by self-made millionaires.

On the other hand—and a major problem—Turkey is a country on the move. Over a third of the population lives in a different province from where they were born. The wandering spirit evident when the Turks burst forth from the Gedi desert is seen in the current flood to the cities.

In 1950 only 4m out of Turkey's 21m people lived in towns of over 10,000. Today 27m out of a population of 52m do so, straining the cities to the limit.

The tractor has displaced many Turks from the land. The cities have had jobs to offer in the factories that have been burgeoning their outskirts, or in the construction industry which has flourished in response to this human tide.

The alternative of staying on the family small holding has become increasingly less attractive in the face of the alternatives portrayed nightly on the village radio and, more recently, television—towns paved if not with gold, at least with bronze, the consumerist delights of the advertising which takes up a disordinate part of output, foreign series of which Dallas is only a recent example.

All this makes the task of managing the country's cities a nightmare. Half of Istanbul's 45,000 streets did not exist 10 or 15 years ago. Virtually none of them were planned with sewerage, electricity, or water. Even the new 'streets' themselves often rarely deserve the name.

The shortage of housing means that the developer—whether land speculator or ownerbuilder is only interested in erecting a roof and walls, often on land which belongs to the state. He knows that legitimacy and services will eventually follow.

For years the municipalities have been starved of funds, receiving only half the share of central tax revenue which their counterparts in Europe have been receiving. But, to its credit, the Ozal Government has made a serious attempt to ensure the towns offer more to their citizens. One of its first acts was to increase the municipalities' share of the budget. It has also boosted the municipalities' own revenues by transferring to them collection and use of the property tax. Further, it has made special allocations to the largest cities.

This policy of decentralisation has begun to make a change to the quality of municipal services. The most striking example has been in Istanbul. Here, the mayor's task has been eased by the removal of the financial constraints that plagued his predecessors: former mayors used to say their most time-consuming task was begging Ankara for the funds needed to pay their personnel.

The current mayor, Mr Bedrettin Dalan, has no such problems. He has also been lucky in that his advent to office coincided with implementation of a long-developing World Bank funded scheme to tackle Istanbul's appalling sewerage problem.

He has thus been able to concentrate his redoubtable energy on clearing the banks of the Golden Horn; on tackling the infrastructural problems of the city's new zones; on making new parks; on building some disturbing car parks in the most scenic sites; and on a series of schemes such as fast boats on the Bosphorus.

The other side of the coin is that few, if any, of the municipalities have the quality of staff required to handle their new responsibilities. Municipal tenders are notorious for the confusion they involve.

Further, it has been a boom period for contractors wishing to develop prime sites which had previously been protected for good environmental reasons—to everybody's shame the banks of the Bosphorus have particularly suffered.

The World Bank and OECD have sought to assist on the problems of municipal management with the Cukurova Metropolitan Project. It has also encouraged the revitalisation of the Iller Bank, which gives technical services to the municipalities and acts as their cashier.

But, inevitably, everything has its cost—not least when it involves problems compounded by decades of neglect. Policymakers in Ankara have thus been looking on askance at the municipalities' recent spending spree. The construction machinery purchased by municipalities has strained the balance of payments, and their expenditure has undoubtedly contributed to inflation.

The Treasury's response is to order a crackdown, but the municipalities are still making the best of their new-found ability to tackle the appalling situation they inherited. A balance has yet to be found.

**David Tonge**

Mr Bedrettin Dalan, Istanbul's charismatic Mayor who is giving the city a facelift.

### The labour market

● Sectoral employment in thousands for those aged 15 and over

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | †1986 |
|---|---|---|---|---|---|---|---|
| ● Labour market: | | | | | | | |
| Civilian labour force | 17,063.0 | 17,297.0 | 17,533.0 | 17,773.0 | 18,016.0 | 18,269.0 | 18,512.0 |
| Civilian employment | 15,231.3 | 15,367.9 | 15,467.0 | 15,577.0 | 15,776.2 | 15,955.1 | 16,284.0 |
| Non-agricultural labour surplus | 1,831.7 | 1,929.1 | 2,066.0 | 2,196.0 | 2,239.8 | 2,313.9 | 2,228.0 |
| Agricultural labour surplus | 700.0 | 700.0 | 665.0 | 665.0 | 665.0 | 665.0 | 652.0 |
| Domestic labour surplus | 2,531.7 | 2,629.1 | 2,731.0 | 2,861.0 | 2,904.8 | 2,978.9 | 2,880.0 |
| Surplus ratio | 14.8 | 15.2 | 15.6 | 16.1 | 16.1 | 16.3 | 15.5 |
| Surplus ratio (excluding disguised unemployment) | 10.7 | 11.2 | 11.8 | 12.4 | 12.4 | 12.7 | 12.0 |
| ● Domestic civilian employment: | | | | | | | |
| Agriculture* | 9,520.0 | 9,511.5 | 9,481.4 | 9,450.8 | 9,420.4 | 9,390.0 | 9,363.9 |
| Industry | 1,770.8 | 1,821.9 | 1,855.3 | 1,910.7 | 1,984.2 | 2,052.5 | 2,170.4 |
| Construction | 580.6 | 582.1 | 584.0 | 586.3 | 605.6 | 623.0 | 651.7 |
| Transportation | 480.2 | 491.1 | 598.3 | 507.3 | 522.6 | 541.4 | 566.4 |
| Commerce | 628.2 | 656.0 | 675.3 | 696.4 | 730.5 | 762.8 | 812.5 |
| Other services | 1,978.5 | 2,032.3 | 2,099.7 | 2,152.2 | 2,239.9 | 2,312.4 | 2,446.1 |
| Unspecified | 273.0 | 273.0 | 273.0 | 273.0 | 273.0 | 273.0 | 273.0 |
| TOTAL | 15,231.3 | 15,367.9 | 15,467.0 | 15,576.7 | 15.776.2 | 15,955.1 | 16,284.0 |

* Including disguised unemployment. † Provisional.

*Source: State Planning Organisation.*

Regional variations

# Land of great contrasts

THE COMMUNITY spirit lives on in Turkey. *One of the first* questions between two strangers will usually be "Where do you come from?" The answer can determine the degree the two will co-operate. Indeed, people born in Istanbul are often considered to be at a disadvantage. Others in the city will have a support network of friends or acquaintances from their original province. "Istanbullular" do not.

Behind such stories lies the *truth that large differences* separate the Turks. The inhabitant of Ankara with his tradition of service is a major contrast to the thrusting mainland of Turkey's "wild south" of Adans, Malatya or Gaziantep. The urbane Izmirli from the Western port town, which has been trading tobacco and figs for centuries, finds the pace and traffic jams of Istanbul unacceptable. And those born in Istanbul look West rather than East for their *inspiration, complaining* at the invasion of their city by the Anatolians.

As for the Laz from the Black Sea coast and Pontic mountains, these tough individuals are the butt of most Turkish jokes, but have been making fortunes in contracting and trade, not always honestly.

Laz Ismail was one of the big figures in the Turkish "mafia" dealing in arms and cigarettes. A different type is the Kurdish speaker from the south east, dark skinned, bright-eyed and usually full of initiative. Then there are the merchant Turks from Kayseri in Central Anatolia, masters in protracting negotiations until the other party succumbs in weariness.

Add to this mixture the refugees who poured in from Greece and the Balkans as the Ottoman Empire contracted and the diversity of the Turks becomes clear.

This mixed people lives in an even more variegated country. Thrace, the area between Istanbul and the Greek and Bulgarian borders, is low *lying* and gently undulating, covered with sunflower fields and, on the Black Sea coast, low trees. It has large textile plants.

The East coast of the Marmara, from Istanbul to Izmit, is an industrial wasteland linked by the dangerous main road leading on to the Turkish heartland of Anatolia. The main areas of this are:

- The Black Sea—Mountainous and divided by high passes.
- Eastern Anatolia—Upper Mesopotamia and the basins of the
- Euphrates and Tigris, separated by mountains, feudal and rough.
- Now being helped by the large South East Anatolia Project (see below).
- Central Anatolia—The traditional wheat plains.
- The Mediterranean—Stretching from the cotton plains and industry of Adana, past the rich greenhouses of Alanya to the tourist areas of the South West.
- *The Aegean Coast—Milder* terrain, with the industrial and trading town of Izmir at its heart.

Despite these differences, the concept of regional administration scarcely exists in Turkey. Administration is heavily centralised, as it always has been with the Turks, in Ankara. The daily planes to the capital are full of those with no alternative but to fly there to sort out their problems.

True, each of the 67 provinces has a governor who represents central authority and there are provincial offices of many ministeries. But in practice Ankara decides. The military backed post-1980 government attempted to change this by introducing an intermediate tier of administration, grouping various provinces. But this has since been quietly shelved and is now totally forgotten.

Parallel with this centralised administration lies a centralised method of planning. Successive Five-Year Plans and annual programmes merely pay *lip service to regional issues.* In practice, there are no regional GNP or income figures.

However, government spending departments are encouraged to take certain broad criteria into account and private investors receive investment incentives increasing with the degree of underdevelopment of the province. These are finally beginning to have some effect, particularly in the area likely to benefit from the South East Asia Anatolia Project.

This project is an integrated irrigation and hydro-electric scheme involving 15 dams and 18 hydro-electric plants. It will affect an area the size of Belgium and Denmark combined.

It involves the irrigation of 17,000 sq km, adding 40 per cent to Turkey's irrigated area and leading to major increases in crop production. Its effects will begin to be felt from 1990 and it is due to be completed in 2001.

**David Tonge**

## Islamic influence

# Signs of change

THERE IS no political issue in Turkey today more controversial than that of religion. Everyone is agreed that Turkey is a secular state, and publicly, at least, there are no voices raised in favour of changing this situation.

Instead one has curious gestures of protest. One maverick member of parliament, recently took off his tie and knotted it into his belt, saying that he would not put it on again in the Grand National Assembly until female students were allowed to wear the veil as they wished in faculties and schools.

Well, why should they not be? It is a question which many Western diplomats have asked themselves puzzled by the inflamed passions the dispute over head-wear has aroused. British and American diplomatic analysts, indeed, have concluded that Islamic fundamentalists do not pose a serious political threat in Turkey and, in short, that "there is no danger of Turkey going the way of Iran."

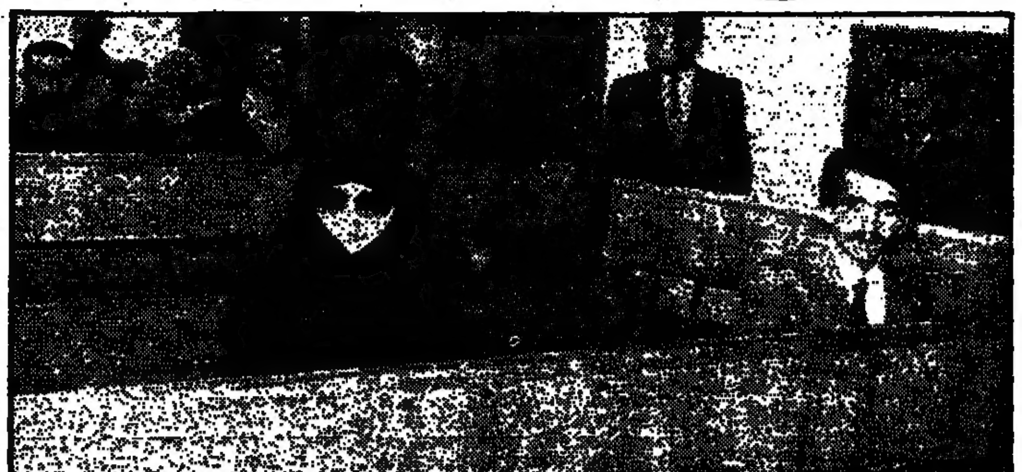
Disagreement with this view comes from supporters of the Social Democratic opposition in Turkey, as well as from the President, Mr Kenan Evren, who last January announced that he regarded religious extremism "as great a danger as Communism for Turkey."

Among Westernised middle class Turks, especially those spending a time in the provinces, there is a great degree of pessimism about what the future will hold for them.

Remarks like "My wife will never have to wear a veil" or "I imagine that drinking in public round here will be restricted before much longer" or "I think our lifestyle will only be possible in this country for another ten years or so," are now commonly heard.

Many now say they are conscious that schools and workplaces are becoming steadily more Islamic in nature.

"My son came up to me the other evening," says an Istanbul journalist from a wealthy background "and started arguing with me about my irreligious way of life. I was shocked. No-one in our family has had such ideas for generations.



Emine Senlikoglu (35), an Islamic militant being sentenced by an Istanbul State security Court for anti-secularist activity.

"I asked him why he was talking like this. It turned out that his religious instruction teacher was telling his students—this is in a middle class school in Istanbul—to go and criticise their parents if they were not religious."

Education indeed seems to be at the core of the issue. In the 1920s, the founder of modern Turkey, Kemal Ataturk, taking a view of religion which ultimately derived from the French Enlightenment, closed down clerical schools, colleges, and until it was reintroduced after his death, there was virtually no religious education—officially—in Turkey at all.

Successive generations of civilian right-wing governments restored religious education by stages. In 1982, the military—who seem to have regarded religion as the best antidote to Communism—made Islamic religious education compulsory, even for non-Muslim children, a step the government says it has now corrected.

But this is only part of the story. There seems little doubt that the majority of the clergy under the supervision of the Directorate of Religious Affairs are moderate, conservatives with loyalty to the state and the reforms of Kemal Ataturk.

A few years ago, a new mosque was—for the first time ever—named after Ataturk.

However, other forces are also at work. These include the governments of neighbouring Islamic countries, headed by Saudi Arabia and Iran, which have poured large amounts of secret funds into the country to encourage Islamic groups and prevent a further drift away to secularism and the West.

A national row—more than a touch somewhat hysterical—broke out in February when it was revealed that earlier this decade a Saudi Arabian Fundamentalist organisation devoted to spreading the Holy Law, had paid the salaries of some two dozen Turkish clergy in Western Europe. The incident has blown over. But it points up a lesson. Turkey's economic gains in the Middle East often have religious strings attached, no matter how much officials like to pretend otherwise.

Arab and Iranian money and influence finds ready allies inside Turkey in the underground religious brotherhoods which act as the spearhead of Muslim fundamentalism. These range from groups such as the Suleymancis—who do not recognise the authority of any mosques in a country not under the Holy Law, through to the Nurcus who have a relatively modernist outlook and are powerful inside the True Path Party, among the followers of Mr Suleyman Demirel.

Another group, the Nakshibendis are said to have a considerable following inside the Motherland Party. The party certainly has a clericalist wing, led by Minister of State, Mr Vehbi Dincerler.

The party has certainly eased restrictions on Muslim fundamentalist groups, and Mr Ozal—who comes from a strongly pious family background himself—is loath to admit that the fundamentalists may be any sort of a danger.

The Social Democrats accuse the religious groups of targeting educational institutions. Mosques and Islamic centres are being constructed in universities which were previously totally secular.

In many ministries, basements have been converted into mosques—and ambitious civil servants feel obliged to turn up at prayer times.

More important in the long run, however, may be changes in rural society where more than 48,000 graduates a year are being produced by clerical schools. Graduates of these do not have to confine their career choice to religion. They can now enter other professions or higher education.

This means, in effect, that in another generation, every village will have a dozen or more clerical school graduates and the Ulema—the learned men of traditional Islam—will have returned to Turkish provincial society after nearly a century's absence.

Does all this matter? Many western diplomats in Turkey seem to think it does not. There is even a school of thought, among foreigners as well as right-wing Turks, that the Turks are a Muslim nation and should be true to their national culture.

This is an idea which infuriates secularised Turks who say first that they do not see why they should have to practice their religion any more than all Englishmen should have to be Anglicans or Frenchmen Catholics.

They point out that it is much harder to keep religion and politics apart in a Muslim society than it is in a Christian one. They think that Turkey's progress towards industrialisation was largely made possible by the cultural and political secularisation of life in the 1920s and 1930s which was more or less unique in the Islamic world.

A less alarmist view says that Turkish politics move in fads. The fads of the 1970s were Marxism and Fascism. Those of the 1980s are Islam and traditionalism. The new fad will, in time, disappear just as the old ones did.

But at present, no one is placing any firm bets on how far or how fast the religious tide will flow. Yet another reason why liberals, businessmen and intellectuals alike, cling gratefully to the idea of early membership of the European Community in which secularism would, hopefully, stand a better chance.

**David Barchard**

"We share the same human values," says Dr. Abdulbaki Keskin of the Religious Affairs Presidency.

## Profile: The Presidency of Religious Affairs

# Striving for balance

THE PRESIDENCY of Religious Affairs is housed in a two-storey structure nestling underneath the vast and now almost completed Kocatepe Mosque which dominates the Ankara skyline.

When the Ottoman Empire was replaced by the secular Turkish Republic in 1923, the office of the traditional head of Sunni Islam in the Empire, the Seyhulislam was prosaically renamed as "President of Religious Affairs."

He still heads a network of religious functionaries throughout the country and is one of the very few religious figures of any religion in Turkey who is allowed to wear a special clerical costume.

Dr Abdulbaki Keskin, 48, is one of five vice presidents under the Presidency.

"If there is a lack of understanding between people, it is usually because they don't know each other very well," he says, "I lived in Europe for 10 years. We both share the same human values."

Dr Keskin can say this with some authority as his academic qualifications not only include a degree from the Faculty of Divinity in Istanbul, but a Doctorate on Islamic political history at the University of Manchester in 1977, which was followed by some post-doctoral research on mass media, churches, and religious education in England.

Later he taught Islamic history and Ottoman language and literature at the Universite Libre de Bruxelles and was one of the participants in a Council of Europe project on medicine and human rights, contributing articles on the Islamic point of view.

Dr Keskin believes that Islam guarantees human rights and specifically prohibits the use of compulsion. He points out that while the churches today are divided over the issue of whether or not women should be ordained, there have been women preachers in Islam from the earliest times.

"Yes, I suppose in a way you could call me a liberal Islamic scholar," he says. The objection that Islam is a static and unchanging religion, Mr Keskin answers by pointing out that two of its four sources—Ictihat (Consensus) and Kiyas (Comparison) are very flexible and practical.

The Presidency of Religious Affairs has a nation-wide structure whose hierarchy in many ways resembles that of a church. Each of Turkey's 67 provinces has a senior muftu, under whom there are a total of 582 muftus for each sub-provincial district.

In all Turkey's 57,060 mosques are 6,944 officially recognised imams and muezzins, most of them graduates from one of 375 Imam Hatip schools where they will have read a seven year course which combines religious training wth the normal lycee curriculum.

A few go on to university where there are a present 8 Faculties teaching a five year course to 6,942 students.

The Presidency of Religious Affairs in which Mr Keskin works is attached to the prime minister's office, though it is independent in spiritual matters. Its 805 personnel in 13 departments handle such matters as the pilgrimage to Mecca (a major operation every year), education, public relations.

At the top there is the Supreme Religious Council whose six members are elected for six year terms by imams (clergy), va'iz (preachers) and the muftus.

The Council issues resolutions on matters brought before it which are then sent out to the countryside.

This structure is part of the state and regulated by it. Outside it lie quite a lot of folksy and underground variants of Islam. Many Turkish children for instance are taught at Koranic schools not regulated by the Presidency.

There is also an estimated ten to twenty per cent of the population who are Shi'ites. They fall outside the framework of the PRA, though if Shi'ite Alevi communities ask for an imam, they are supplied with one.

The Presidency of Religious Affairs also has an eye on the outside world. Dr Keskin speaks Arabic, French, and English in addition to his native Turkish. The rise in the number of guest-workers abroad has been followed by the creation of a network of 498 clergy in 11 countries, supplying religious services to Turkish communities abroad.

Dr Keskin says that he is not worried about a possible dilution of Turkey's Muslim identity if it joins the European Community. However, he quotes disapprovingly a remark by the late Lord Stockton, when he was Britain's prime minister in the 1960s, saying that the EC was aimed at the reuniting of Christendom.

He is also unruffled by claims of religious extremism—"you will have seen that the ordinary people in Turkey are very tolerant," he says.

**David Barchard**

## Education

# Standards are very uneven

EVERY CHILD in Turkey wants a computer and to be a computer engineer when they grow up, says Mr Metin Emiroglu, minister of education. His own 10-year-old son has one and in the best schools in Ankara and Istanbul they are teaching Basic language on highly-revered personal computers.

Mr Emiroglu says no other developing society is as open to the outside world as Turkey and this is reflected in his ministry's attitude to computers.

Attendance at primary school from the age of six to 12 is compulsory under Turkish law, but Mr Emiroglu admits with a rueful smile that most children do not start school until the age of seven because it would be "too expensive." The ministry's budget is about 6.5 per cent of the national income, slightly over 10 per cent when other ministries' education budgets are included.

The next generation: students at Ankara's Ataturk Lisesi. Classrooms are crowded. So is the curriculum.

Government figures put primary school attendance at 98 per cent—but at the age of 12, 52 per cent of children leave school. Of those who complete their high school education, only 10 per cent go to university.

Shortage of school places also means that children across Turkey attend school either in the morning or in the afternoon. There is simply no space to accommodate the fast growing school-age population and classes are desperately overcrowded even under this shift system. The best primary school in Ankara has 54 children to a class.

Conditions in the cities have been exacerbated by rural emigration to the cities and a birthrate growing at an estimated 2.3 per cent.

Not only buildings are in short supply there is also a shortage of teachers and their numbers are dropping, largely because they are poorly paid even by Turkish standards—between TL 90,000 to TL 110,000 a month.

Standards of teaching are universally criticised. Emphasis is laid in the classroom on rote learnings, with little priority being given to experimentation in ideas or in the science laboratories. Children provide their own school materials.

Government figures put literacy rates at about 84 per cent, but unofficial figures estimate female literacy, particularly in the more remote rural areas and among some ethnic minorities, at about 20 per cent less. This new literacy is not reflected in the number of books published each year—about 7,000, the same number as were published 20 years ago when the population was only 30m (it is now 52.4m).

A recent World Bank report which criticised Turkey's highly centralised education system and its lack of technical education met with the Minister's agreement. "In the past the teaching system has relied on rote learning but we want a system which will encourage students to think and to research for themselves," Mr Emiroglu said. He expects to announce plans to reform the system shortly, with a seminar to debate the subject in late July.

A new law awaiting for parliamentary approval will also introduce an apprenticeship system for some of the 52 per cent of children who leave school at 12, giving two days a week education in the theory of their craft or skill at a technical college for up to six years.

Government thinking also seems to accept that the standards of teaching leave much to be desired and that the education of many teachers was inadequate during the political turmoil on the universities during the 1970s. Television and computers may well be employed in the future to educate not only the children but also their teachers.

In higher education, too, opinion seems to be veering towards an emphasis on vocational (technical) teaching and the value of a technical diploma rather than a university degree. As the moment in Turkey a university degree is treasured not so much for its proof of education as for the status it gives. A degree means that male students are able to go through their two-year military service at the better paid officer level. It also improves a graduate's chances of marriage and a good job.

Education standards in Turkey are uneven across the country, varying not only from private sector to state sector, but between state sector and religious schools and military schools. Most of the university entrants come from the cities and the west—at one small central Anatolian town of about 4,000 people, only 8 per cent of the children go to high school and none go to university.

Religious schools, which children enter at 12, teach the theory of Islam as part of the syllabus and boys who leave may qualify to become imams (priests). In 1984 there were 716 of these schools, compared with 1,147 state and 74 private high schools, but the standard of education at the religious schools is not very highly regarded and few of their pupils reach university.

Examinations are something of an anomaly in Turkey. Children take them only to enter private schools or the highly-reputed state Anatolian schools (the name has nothing to do with the area). Here children have a better than average chance of entering university and are rigorously trained in English (in the Anatolian schools, 80 per cent of the lessons are taught in English).

Entrance to university is determined by multiple choice tests alone (which has resulted in almost equal numbers of entry between the sexes) and competition is extremely stiff. In 1984 there were 198,651 university applicants, of whom only 92,545 succeeded—and many of those will be studying subjects they did not choose, because students can only go to the faculty they select if they get the highest marks in the entrance exam. The rest are allocated to a department almost regardless of choice.

This lottery system does nothing to boost the morale of teachers, whose subject is not the choice of most students, largely because of the poor pay and the requirement that teachers spend the first two years of their working life in an area decreed by the Government (often in the remote east).

From the reforms it is planning, the Government is evidently aware that the needs of modern Turkey are not being met by its education system, but it is not yet clear whether it is prepared to find the necessary resources.

**Annie Wilson**

## Tourism development

# Investment spree bears fruit

TOURISM HAS become vital for Turkey's development. As the export boom has tapered off, the Government has realised that tourism is the one sector capable of providing the extra earnings necessary to help it through its current peak debt service years.

The investment spree of the past three years in the sector is just beginning to bear fruit. The number of hotel beds in service was 112,539 at the beginning of this year—65 per cent up on the figure two years earlier. The Government hope is that revenues will exceed \$1.5bn—equivalent to 18 per cent of exports. Mr Turgut Ozal, the Prime Minister, has even been talking of earnings of \$2bn, twice last year's figure.

Seen in this context, it is not surprising that conservationists are receiving short shrift. The Ministry of Tourism has recently been under pressure to stop construction of a 600-bed hotel at one end of a 4 km beach used for hatching eggs by Mediterranean sea-turtles.

Other hotel sites have also attracted concern for being close to archaeological remains, or for involving altering the use of buildings with a particular resonance in Turkish life. The conversion of the Taskisla building of Istanbul Technical University into a hotel to be operated by Regent International of Hong Kong is one example. A second is the rebuilding and extension of the old Ciragan Palace as a hotel, casino and conference centre.

But Mr Mesut Yilmaz, the Minister of Tourism and Culture, is generally pressing ahead. Those who wish to see the south coast as it, or at least parts of it were, when Anthony gave it to Cleopatra, need to act fast.

The Government's available hope is that by the end of 1989 Turkey will have 200,000 beds available, treble the 1985 figure, but still way below the figure of its major Mediterranean competitors.

Turkey's attractions to the tourist include:

- The least spoilt coasts of the northern Mediterranean
- Pine-fringed archaeological sites reflecting the numerous empires which have risen and fallen in Anatolia
- Natural wonders such as the underground cities of Cappadocia or the limestone waterfall of Pamukkale
- The exotic intrigue of Istanbul and the country's Islamic heritage
- Clean seas along most of its coast—though semi-closed bays like Fethiye are suffering from the government's failing to insist that boats carrying tourists should have inbuilt tanks to hold their waste. Equally, the ministry is often criticised for showing little interest in policing the cleanliness of the country's beaches.

The Ankara Hilton Hotel, under construction. The number of hotel beds available in Turkey has increased by 65 per cent in just two years.

The increasing spoliation of other Mediterranean destinations and some good publicity means that Turkey is finally beginning to feature in most tour operators' brochures. Leading the field in arrivals are the West Germans, followed by the Yugoslavs and the Greeks, with Iran, France and Britain tucked in behind.

Last year the US raid on Libya and the explosion at Chernobyl had no effect on tourism from Turkey's most important market, the European OECD countries. Arrivals from these were up 12 per cent. This year the charter operators have finally begun to find some of the beds they and their clients need. In the Antalya area, for instance the number of quality hotel and holiday village beds on offer has doubled in the past year. Yet the new units are already mostly fully booked for the whole season.

Apart from the generally improved investment climate one key reason for this building boom is the government's solving of the land problem. Since 1982 it has made 100 tourist sites available to investors.

The drawback in such sites is that most are of the order of 70,000 to 100,000 sq metres, with the government insisting on high bed density. Apart from one Qatari project, there are virtually no integrated resort developments planned involving hotels, villas and golf of the sort which have been so successful in Spain and Portugal.

In Ankara too there is considerable activity with a Hilton now under construction and ground breaking of a Sheraton due this summer.

However, in Istanbul where there is a desperate shortage of hotel beds, the problem of suitable sites long delayed investment, while a further problem was the exorbitant prices sought by owners of some prime sites such as the old Park Hotel.

The land problem has now been overcome by about ten groups in Istanbul but in practice the only major Istanbul hotels under construction recently have been a 250-room Ramada (due to open by August) and the 300 Key Ciragan Palace (due to open in 1989).

The Turkish Government offers generous investment incentives including a grant of up to 16 per cent of the investment in fixed assets in a 500-bed hotel and tax credits of up to 100 per cent of the total investment cost.

Despite that, one major problem faced by many groups is in finding the necessary finance. Turkish funds are expensive and scarce: few banks have the long-term Turkish lira finance required for such projects.

For their part, foreign banks usually require a top class local guarantee. The natural candidate for giving such guarantees, the Tourism Bank, despite being 99.8 per cent owned by the Turkish Treasury, is still unfamiliar in many markets. Further, the market for loan finance for Turkey has recently been somewhat spoiled by the high rates paid by the contractors involved in the motorway projects.

Nonetheless, the more able Turkish groups have been able to put together the necessary deals. Some of these have been with the help of the International Finance Corporation, (the private sector window of the World Bank); DEG (the West German Government fund); and OPIC (the US institution for insuring US investments abroad).

**David Tonge**

*The writer is director of IBS, an Istanbul-based consultancy firm specialising in tourism and assisting foreign investors.*

### Key facts

| | |
|---|---|
| **Official title:** | The Republic of Turkey |
| **Head of state:** | General Kenan Evren |
| **Head of government:** | Prime Minister Turgut Özal |
| **Ruling Party:** | The Motherland Party |
| **Area:** | 779,452 sq km |
| **Population:** | 48.2m |
| **Capital:** | Ankara |
| **Official language:** | Turkish |
| **Currency:** | Turkish Lira (TL)=100 kurus |
| **Exchange rate:** | TL780 per \$ (May 1987) |
| **GNP per capita:** | \$1,200 (1986) |
| **GNP real growth:** | 8.0% (1986) |
| **Labour force:** | 19.4m |
| **Unemployment:** | 13% (1986) |
| **Inflation:** | 26% |
| **Balance of trade:** | −\$3,081m |
| **Total foreign debt:** | \$31.4bn (1987) |

## Health services

# Stark contrasts evident

AT HACETTEPPE University Hospital in Ankara, the neurosurgery is as highly-regarded as its innovative integrated teaching methods. Its community health programme in two areas outside the capital has reduced the rate of infant mortality from 95 per 1,000 to 45 in just three years.

If you travel far into the eastern regions of Turkey, however, the picture is very different—in such remote rural areas the infant mortality is often as high as 170 per 1,000, equivalent with the poorest countries of Africa.

This contrast between east and west continues all the way through Turkey's health system: doctors, medical services and hospitals are all concentrated around the big three cities of Istanbul, Ankara and Izmir and the Ministry of Health's budget (2.5 per cent of the national income, 4 per cent, including social welfare and aspects of municipal budgets) is spent largely on curative rather than preventive medicine.

The situation is changing: a massive immunisation programme under the auspices of Unicef in 1985 managed to reach 80 per cent of Turkish children, inoculating them against five diseases. The campaign received support from every level—from the president's office through to barbers' shops used as centres of information. It reached into 40,000 villages and drew in 80,000 teachers and the imams (priests) and village leaders of every community.

By involving so much of the community in the health programme, consciousness about health priorities was raised and an infrastructure set up with very few resources. The same system is now being used to promote a new campaign to reduce infant deaths from dehydration caused by diarrhoea, and will be used to fight deaths from respiratory infections. Immunisation is still a top Government priority.

Legislation is now being drafted to reorganise the country's health insurance system, which at present only covers about 33 per cent of the population, and extend it to 90 per cent. The health budget will be increased by raising the insurance premiums, while at the same time offering several categories according to income and need.

The Government will contribute half the premium for those who cannot afford to enter the system. The new law also aims to reduce the heavily centralised and rigid bureaucracy of the health system.

Hospitals in Turkey fall into four categories at present: private (in which 40 per cent of the doctors work), university (which charge fees from all but 20 per cent of their patients on average), social welfare (paid for by contributions from employer and employee), and state (which charge a nominal fee).

Advanced medical care is available only in the first two categories and many of those covered by the health insurance scheme prefer to pay for private medical care. It is not cheap: a visit to a private doctor costs about TL 12,000 without medicines, a house visit TL 16,000 (the salary of a university professor is about TL 150,000 a month, a newly-graduated doctor earns about TL 120,000 and a teacher about TL 80,000 a month).

The state hospitals provide only basic services and queueing is inevitable.

To be a doctor in Turkey requires something of a vocation. They train at university for six years, followed by a compulsory two years when they may be sent anywhere in Turkey to work in the state health system, then two years of military service if they are male, plus another two years in state service if they wish to specialise—12 years in all.

It is not surprising, therefore, that there are more specialists than general practitioners in Turkey, or that so few work voluntarily in community health where the rewards and the prospects are meagre—and it is one reason why 57 per cent of the country's doctors are concentrated in the three western cities of Istanbul, Ankara and Izmir.

The two years' compulsory service, usually in the rural areas, is not popular with the doctors, who feel there is little point in sending them to remote outposts when there is so little infrastructure to support them. But it has been a large factor in changing attitudes in rural areas and motivating communities to improve their health care.

There is quite a high proportion of doctors per head of population in Turkey, overall 1:1,391. But the distribution is very uneven: Istanbul has 1:550; Ankara 1:509; Izmir 1:669; Adana (in the south) 1:1,591; and Erzerum (in the east) 1:1,672.

If there are sufficient doctors, however, there is a 40 per cent shortage of nursing staff. It is not a particularly respected profession, particularly in the rural areas, and so few are being trained that there are more doctors than nurses. The resulting under-staffing means a relation often moves in with a patient to look after their basic needs in the state hospitals, and even in the university hospitals it is not uncommon for patients to hire their own nurses.

Concern about preventive health care only goes so far in Turkey. It is striking how many people smoke in public places, on buses, between courses in restaurants.

Doctors admit that the campaign against smoking has been inefficient, even though tobacco advertising is banned on television and radio. Of the 9,000 deaths a year from cancer, 33 per cent are lung cancer and the figures for lung cancer are double those of European countries. The average Turk smokes about 1 kg of tobacco a year.

**Annie Wilson**

### Health statistics

Population growth rate, 2.49 per cent.
Estimated infant mortality rate 83 per 1,000 in 1985.
Age expectancy, 63 years.
Only 33 per cent of the working population is insured for social security.
Number of specialists: 20,878.
General practitioners: 15,549.
Nurses and midwives: 48,841.
Health budget: TL 83,383m (1984); TL 114,687 in 1985.
Source: State Planning Organisation

# Half a century of progress

**EXACTLY HALF a century has gone by since the Financial Times published its first country survey on Turkey. In those days the population was 16.8m compared to the 52.4m of the 1985 census. Then, 82% of the population still lived off the land. There were £1.9 and US\$7.9 to the Turkish Lira; today the rates are TL 1,300 = £1; and TL 800 = US\$1.**

**Energy consumption per capita was a mere 90kg of coal equivalent and there were only 9,000km of all-weather roads across the country.**

**The total foreign trade volume was TL 252m—and there was a trade surplus of TL 24m, entirely made possible by agricultural exports, chiefly of tobacco. The principal trading partner, then as now, was Germany—soon to be overtaken, however by Britain.**

**Turkey, in short, was still an agrarian society where what little industrial activity there was had been set up by the state. Foreigners had only a limited part to play in the economy, because of the reaction against foreign control during the last century of the Ottoman Empire. Restrictions were so tight that foreigners were not even allowed to drive cars until well after World War Two.**

**The first FT survey on Turkey contained articles mostly written by cabinet ministers and high officials. The chief of these, Mr Celal Bayar, then prime minister, went on to be president of Turkey from 1950 to 1960. He died last year—still a major political force—at the Methuselian age of 104.**

**What ever changes the next fifty years hold—and if Mr Ozal's strategy works, they should see the transformation of Turkey into a front-rank industrial power with a population of perhaps 90m to 100m inhabitants—they are unlikely to see more change than the past half century in which the foundations of a modern urban and industrialised society have been created.**

**David Barchard**